DEVELOPMENT PROPOSAL FOR OLD TOWN

By

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The City of Alexandria is currently working on an updated Small Area Plan for the waterfront in Old Town. City officials have targeted specific parcels for redevelopment to enhance the waterfront into a destination for visitors and residents. The three largest parcels are Robinson Terminal North, Cummings/Turner Block and Robinson Terminal South. Robinson Terminal South is the subject of my thesis. The property is strategically located at the intersection of Duke Street and South Union Street, two blocks south of the heart of Old Town at King Street and S Union Street. The City has indicated that they would like to have a 150-key boutique hotel with ground floor retail developed. Currently, the zoning does permit a hotel. By right an office building is permitted, however a hotel would require a special use permit if the city is not willing to amend the zoning, which officials have indicated would be allowed upon execution of the Small Area Plan. The City has determined that no residential development will be permitted south of Strand Street, where Robinson Terminal South is located. The City and Old Town residents have been meeting for years to determine the best use of the land and City officials would like to see a development that benefits residents and visitors, as well as enhances the waterfront. Citizens would like more parkland and a new art or history museum and any other civic amenities that can be provided. City officials have indicated they do not have the budget to buy the site and dedicate the use for public attractions. The Small Area Plan indicates that parkland and art features are to be important uses when planning the development.

My plan is to assess the highest and best use for the site of either a hotel or office. I will do this by examining supply and demand statistics in the market, evaluate the risk and opportunities and develop a financial model for support.

Robinson Terminal South is presently ±122,000 square feet of warehouse space used to transport newsprint along the east coast. It remains one of the largest handlers/distributors today. There is a historic brick warehouse on the property that was originally constructed in 1900's and as part of the redevelopment it must be preserved and a new use found. The structures surrounding the historic warehouse would be razed to make room for the new development. The property is currently owned by the Washington Post Company. The land area is ±163,696 square feet (±3.8 acres), generally rectangular in shape and at grade, posing minimal design issues.

The subject is zoned W-1, Waterfront Mixed-Use. The W-1 zone is intended to promote mixed use development with suitable public amenities along appropriate portions of the city's waterfront by permitting a mixture of residential, commercial, cultural and institutional uses and by allowing greater densities than would otherwise be permitted to the extent the proposed mix of uses, the design and the location warrant (City of Alexandria Zoning Ordinance). The current F.A.R. of 2.0 allows for up to 327,392 gross square feet to be developed. Robinson negotiated an agreement with the federal government and others in 1982 to give it the right to build hotels and townhouses on its land. In 1992, the entire city was rezoned and those development rights were taken away. Robinson sued to return to the more lucrative zoning, F.A.R. of 2.32. After discussions with the city, it dropped its suit. The law suit accused the City of spot zoning and requested Robinson Terminal South be restored to the original 1982 zoning. The new Small Area Plan proposes a return to the 2.32 F.A.R. to allow up to 380,529 gross square feet. For the purposes of this analysis I will be using the current zoning that allows development up to a 2.0 F.A.R..

The office statistics for the Old Town submarket are not favorable. Based on CoStar statistics for Class A and B office buildings the vacancy rate is currently 17.7%, if the same search is done but with buildings greater than 25,000 square feet the vacancy rate is 18.2%. The total inventory for Class A and B is 9.0 million square feet within 313 properties. Again, if this search is limited to those same A and B properties but greater than 25,000 square feet there is 6.4 million square feet within 85 buildings. The average rate for the restricted submarket analysis is $33.44 and the entire submarket has an average rate of $32.62. There are two proposed office buildings for the submarket and both are 0.0% pre-leased. Based on rent comparables in the submarket I have estimated the rent per square foot for the re-development at $35.00 psf full service.

The all in construction costs for the office building would be $34,478,089. This includes extra site work and underground parking costs. The building will take approximately two years to construct, and lease-up will follow immediately of any non pre-leased space. I have targeted year three for stabilization.

By year-end 2011, Washington DC hotels are forecast to see a RevPAR increase of 2.0%. This is the result of an estimated minor increase in occupancy of 0.3% and a 1.8% gain in average daily room rates (ADR). The 2.0% advance in Washington DC RevPAR is worse than the national projection of a 7.2% increase. The local market was not hurt as badly as the national during the economic down turn, so the slight increase in our market is still highly favorable.

There are 6 hotels (3 Kimpton's, Westin, Hilton and Embassy) that would be direct competition for the proposed 150-key boutique hotel on the waterfront. The statistics for this comp set compare favorably with the overall larger Old Town hotel market. An average of the YTD 2011 figures shows occupancy of 77.5%, ADR of $191.30 and RevPar of $148.20. The 2010 year-end figures are strong as well with occupancy at 74.0%, ADR of $187.40 and RevPar of $139.20.

I have estimated the total construction cost for the hotel to be $41,574,123. This figure includes an additional $750,000 for piling and underground parking for 254 spaces at $35,000. This does not include the price to acquire the land. Due to the location on the Potomac River piles will be required to be placed into the earth to provide support for the foundation of the building to be constructed. I have estimated parking on the higher end for the same reasons and the use of a slurry wall. Each of these figures could be less based on an engineering report after soil samples have been examined.

My conclusion will show that an excessive amount of equity would be required to proceed with the hotel or office. The limit the City has placed on the number of rooms for a hotel does not allow the site to be maximized to the full potential. The ADR would need to be significantly higher than what it is currently, and there is no support in the market that would justify that higher number. The office vacancy is very high and with the location not supported by Metro, it would be a hindrance and not attract a large tenant base. The desired location to be in Old Town could potentially attract smaller tenants, those that live in the area and would like their business closer to home or other small offices such as doctors, accountants or real estate offices for example. The numerous restrictions placed on the parcel will make design and development extremely difficult as I will demonstrate. I have estimated the land value in the financial analysis section and combined with either the office or hotel construction costs; there is not enough net operating income to justify the project at this time.

II. PROJECT DESCRIPTION

The development proposed at Robinson Terminal South will either be a first class office property or a 150-key boutique hotel that embodies the characteristics of Old Town. Regardless of the use, the exterior will be full brick, flat roof and large cottage style windows to incorporate the new building into the surrounding area. The proposed development is located in what is known as the the Old & Historic District of Alexandria, VA. The City has been updating the small area plan which recommends redevelopment of the project using historic characteristics and art features in conformity with the Old and Historic District guidelines. Additionally the City recommends all parking for the site be located on site or underground. Underground parking will be a challenge due to the proximity of the Potomac River and the property's location within the flood plain. The City would like to see more open public space along the waterfront. Any new buildings developed on this parcel will be restricted to a height limit of 50 feet per the zoning code. The interior of the property will feature high end materials to create a desired location for residents and visitors not just the office or hotel employees/guests. The ground floor will feature a restaurant and shops to create a destination location. This area of Old Town has a large presence of commercial and residential development; the goal is to blend in the new development with what currently exists, make it appealing and a timeless.

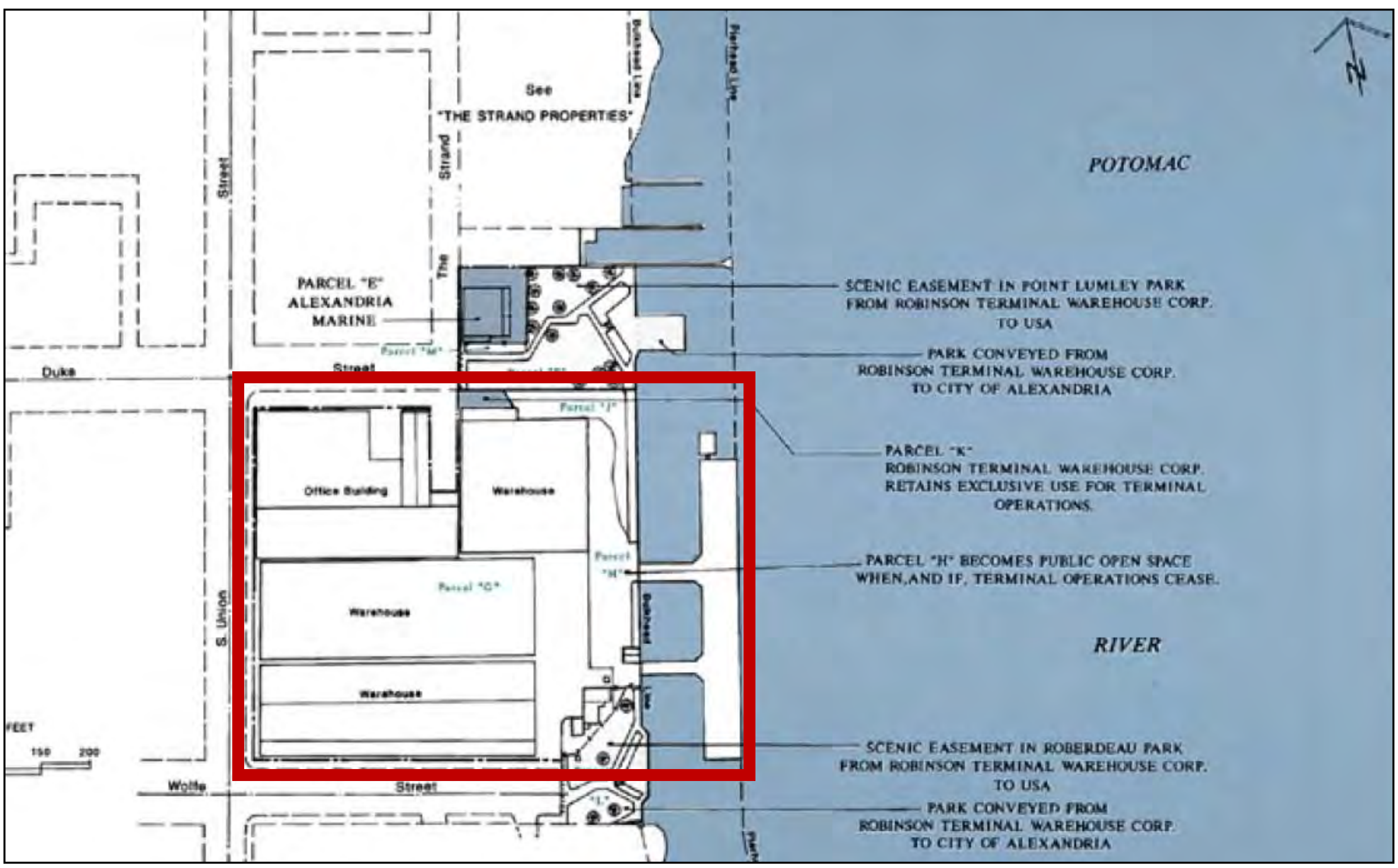
The City has been extensively revising the Alexandria Small Area Waterfront Plan (Plan) to create a better utilization of the waterfront with emphasis on a park area, art sculptures and larger piers. *"The waterfront must be a place Alexandria residents inhabit, not only visitors"* is a main theme for City officials in regards to the redevelopment. Another important aspect for the City is to preserve the history that is Old Town. This part of Alexandria is rich with history dating back to the 1600's; a fact that should be considered for any new development.

Per the Plan, the redevelopment of Robinson Terminal South will be a 150-key boutique hotel with ground floor retail. Plan guidelines strongly recommend the redevelopment uses pay for the new infrastructure and public amenities the City desires. A Hotel would be permitted per the current draft of the plan, but is not currently allowed as a by-right use. The City prefers a hotel because there are potential benefits to residents, in the form of tax revenue, and increased waterfront visitors, and supposedly is among land uses with lower impacts on the nearby neighborhoods. While the Plan does not recommend residential development on-site, the zoning regulations permit such use.

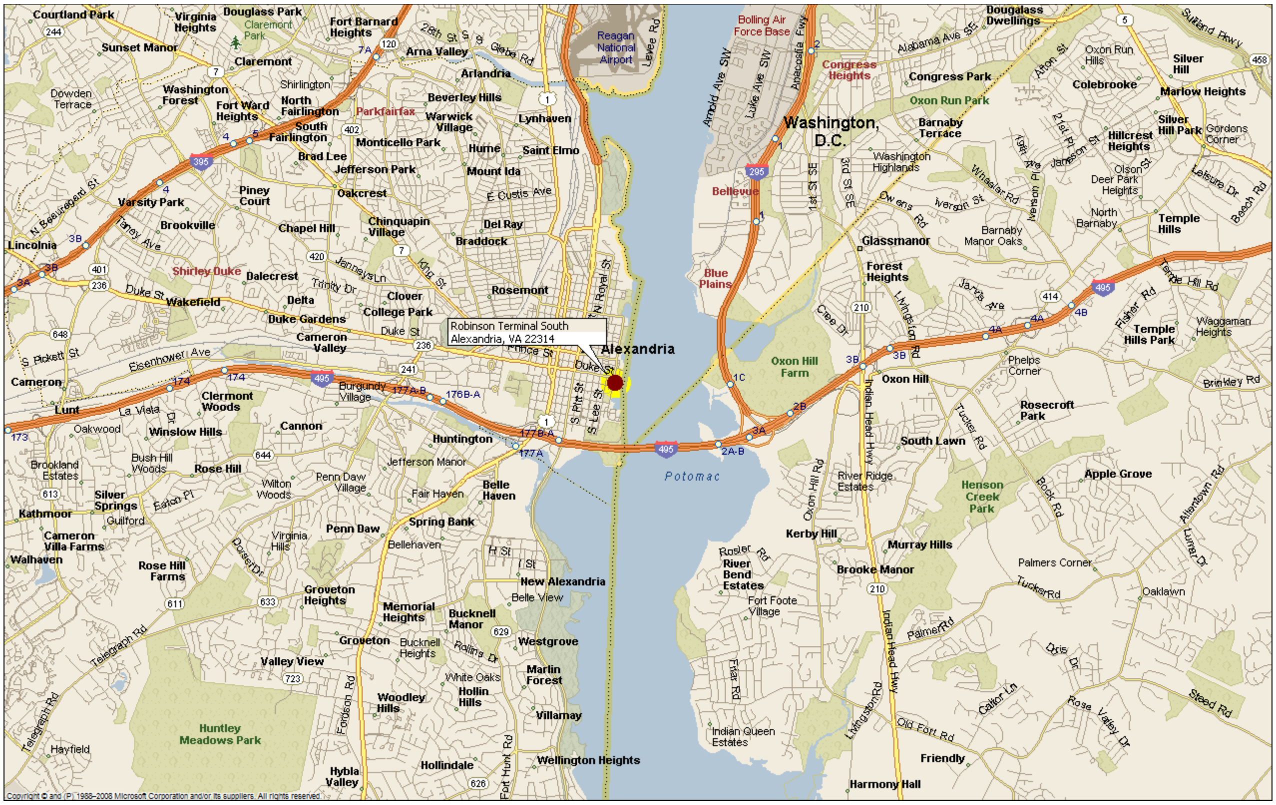
III. SITE ANALYSIS

The proposed development is strategically located at the intersection of Duke and S Union Streets. The location is two blocks south of King and Union Streets, the heart of Old Town. Directly south of the subject is a large residential development consisting of upper-end townhomes constructed in the 1990's. Presently, there are two townhomes on the market with an average list price of $2,500,000. To the immediate west of the subject are historic row homes predominately used for residential, with some properties containing small office or ground floor retail with apartments located on the upper floors. North of the property is a heavy volume of commercial uses including restaurants, retail boutiques and small offices. Old Town is laid out on a grid plan of substantially square blocks. The property provides access to main arteries in the immediate area including: Washington Street (GW Parkway, North/South), King Street (East/West), Union Street (North/South) and Duke Street (East/West).

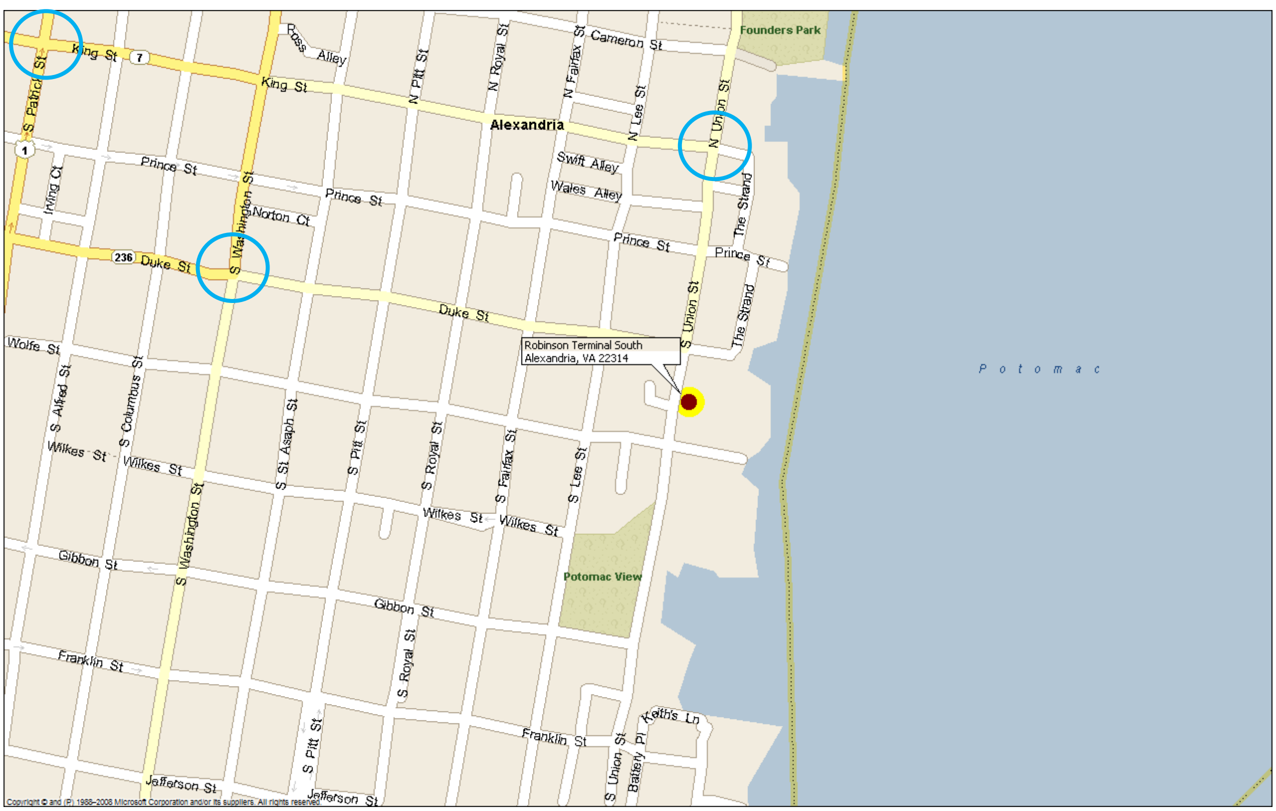
The land area for the property site is ±163,696 square feet (±3.8 acres). The current zoning allows for a 2.0 F.A.R., but there is a proposal to restore the site to the original F.A.R. of 2.32. This was an ongoing battle between the property owners and the City of Alexandria until a recent agreement. The site is generally flat and rectangular in shape, posing no design or topographical issues. The development would have ample frontage along S Union Street, Duke Street, Wolfe Street and the Potomac River. Access to the parking for the site would be from Wolfe Street as to not lose any potential retail space along S Union Street or Duke Street, where The Strand is located. The site plan below shows the current layout of the Robinson Terminal and the land uses that surround.



View of Alexandria



View of Greater Area



West View

West View of Subject & Surrounding Development

The subject site is accessible via three major arteries; Route 1 (Jefferson Davis Highway-Patrick Street), Washington Street (George Washington Parkway) and I-95/I-495 (Capital Beltway). Travel time to each artery is less than five minutes from the site. Washington Street is six blocks to the west and Route 1 is an additional three blocks. Route 1 provides access to I-95/I-495. The King Street Metro Station is located 1.3 miles to the west of the subject. An ideal solution to bring more customers to the property would be to provide shuttle access to and from the property to the metro.

The property is presently improved with a ±122,000 square feet of warehouse space used to transport newsprint along the east coast. Known as Robinson Terminal South, it remains one of the largest handlers/distributors today. There is a historic brick warehouse on the property that was originally constructed in 1900's and as part of the Plan it must be preserved and a new use found (coffee shop, restaurant, or art museum). The structures surrounding the historic warehouse would be razed to make for the new development. The property is currently owned by the Washington Post Company.

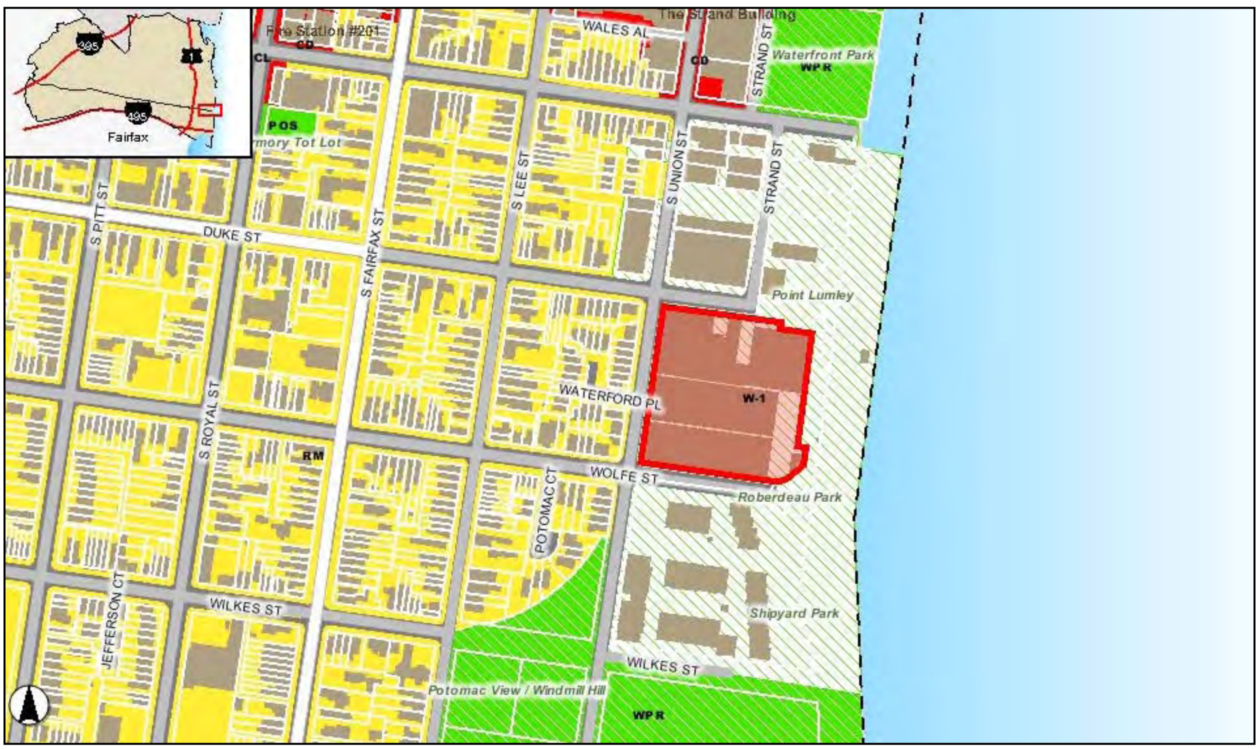
Warehouse to be re-purposed

Warehouse to be Redeveloped

IV. ZONING

The property is zoned W-1, Waterfront Mixed Use Zone, by the City of Alexandria. According to the Zoning Ordinance for the City of Alexandria, "The W-1 zone is intended to promote mixed use development with suitable public amenities along appropriate portions of the city's waterfront by permitting a mixture of residential, commercial, cultural and institutional uses and by allowing greater densities than would otherwise be permitted to the extent the proposed mix of uses, the design and the location warrant." This zoning designation allows for residential, office and retail uses with a heavy emphasis on public facilities. At present a hotel is not permitted in the W-1 zone. To develop a hotel on the property would require a Special Use Permit (SUP) or amendment to the zoning regulations. The Plan currently being drafted has indicated one of the amendments to the zoning ordinance and master plan is to permit hotels in the W-1 zone. The height limit for this zone is 55 feet but, because the property is located within the Old and Historic Alexandria District and the Potomac River Vicinity Height District the limit is 50 feet.

City officials consider a boutique hotel to be one with 150 rooms or less, no ballroom, and meeting space is limited to no more than 50 people. Although the meeting space is limited per the Plan, allowable space could accommodate board meetings, parties and other small private events. Due to the size of the hotel and the desire for an upscale hotel at the location, possible flags might be a St. Regis, Le Meridian, Hotel Indigo or a fourth Kimpton.



The map above shows the zoning code for surrounding parcels and the current developments.

In 1992, the City downzoned Robinson Terminal from densities permitted by a 1982 agreement between Robinson Terminal, the National Park Service, and the City. Robinson Terminal sued the City, asserting that the 1982 density levels are vested; the City disagreed but the proposed Plan would restore the 1982 densities. The Washington Post Co., who owns the site, has set the suit aside.

1982 Agreement			1992 (Current Zoning)			2011 (Proposed)		
Development	F.A.R.	Height	Development	F.A.R.	Height	Development	F.A.R.	Height
380,528	2.32	50	327,392	2.00	50	380,528	2.32	50

Under the settlement agreement, a total of 380,528 square feet could be developed on the parcel. The City's W-1 zone allows a total of 327,923 square feet at a maximum of 2.0 FAR across the parcel; the recommendation to restore the FAR to 2.32 would increase the maximum permitted density by 53,136 square feet. Under both the 1992 Zoning Ordinance and settlement agreement, the maximum height permitted is 50 feet.

Sec. 8-200 General Parking Requirements (District 1)	
Hotels or Motels	1 space for each guest room. If over 3 stories, 1 space for each 2 guest rooms. 1 employee parking space for each 15 guest rooms
Restaurants/ Meeting Space	1 space for each 4 seats
Retail	If total floor area is 1,500-5,000 SF then, 1 space per 210 SF if on the ground floor If located on "Other Floors" then, 1 space per 310 SF
Office	1 per 500 SF of Floor Area 5.0% of Car Pool space must be set aside
Space Size	18.5' x 9'
Sec. 8-200 (21)	
Hotels	Within Parking District 1 a minimum of 0.7 parking spaces per room 1 parking space per each 8 restaurant and meeting room seats
Plan Proposed	
Hotels	.5 parking spaces per room (Planning and Zoning Office)

Since 2008 the City has been working on a revised Waterfront Small Area Plan. Officially, the Waterfront Small Area Plan is an amendment to Old Town and Old Town North small area plans, which are components of the City's overall Master Plan. The waterfront planning area is approximately 3 miles long and extends between the Potomac River on the east, North Fairfax Street and South Union Street on the west, Daingerfield Island on the north and Jones Point Park on the south. The City's goal is to give residents and visitors more options for dining and shopping, create a walking path along the Potomac River and increase the cultural aspects by using more art and embracing the history of Old Town.

V. MARKET ANALYSIS

City of Alexandria Area Analysis

Population

The City of Alexandria is located in northern Virginia approximately 5 miles southeast of Washington, DC. It is 15 square miles in size and has a population density of 9,924 persons per square mile. The City of Alexandria is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area, hereinafter called the Washington MSA, as defined by the U.S. Office of Management and Budget.

POPULATION TRENDS

	Population			Compound Ann. % Chng	
	2000 Census	2011 Est.	2016 Est.	2000 - 2011	2011 - 2016
United States	281,421,906	310,650,750	323,031,618	0.9%	0.8%
Virginia	7,078,515	8,063,269	8,420,247	1.2%	0.9%
Washington, DC MSA	4,796,183	5,612,121	5,919,887	1.4%	1.1%
City of Alexandria	128,283	150,643	159,045	1.5%	1.1%

Source: Claritas

The City of Alexandria has an estimated 2011 population of 150,643, which represents an average annual 1.5% increase over the 2000 census of 128,283. The City of Alexandria added an average of 2,033 residents per year over the 2000-2011 period, and its annual growth rate exceeded the Washington MSA rate of 1.4%. The population is projected to increase at a 1.1% annual rate from 2011-2016, equivalent to the addition of an average of 1,680 residents per year. The City of Alexandria growth rate is expected to be similar to that of the Washington MSA.

Employment

Total employment in the City of Alexandria is currently estimated at 97,132 jobs. Between year-end 2000 and the present, employment rose by 2,358 jobs, equivalent to a 2.5% increase over the entire period. Employment gains that occurred in the mid-2000's exceeded job losses that occurred early in the decade and in the recent economic downturn starting in 2009. Over a ten-year time span, there were six years in which employment grew and four years in which it declined.

EMPLOYMENT TRENDS

	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
Year	Alexandria city	% Change	Washington MSA	% Change	Alexandria city	Washington MSA
2000	94,774		2,722,137		1.8%	2.7%
2001	91,150	-3.8%	2,697,461	-0.9%	2.7%	3.4%
2002	90,464	-0.8%	2,712,575	0.6%	3.4%	4.0%
2003	92,067	1.8%	2,753,722	1.5%	3.0%	3.9%
2004	94,714	2.9%	2,830,257	2.8%	2.7%	3.7%
2005	94,881	0.2%	2,880,246	1.8%	2.6%	3.5%
2006	95,605	0.8%	2,909,686	1.0%	2.2%	3.1%
2007	101,674	6.3%	2,933,153	0.8%	2.2%	3.0%
2008	102,083	0.4%	2,907,824	-0.9%	2.7%	3.7%
2009	98,470	-3.5%	2,859,808	-1.7%	4.7%	6.0%
2010*	97,132	-1.4%	2,894,546	1.2%	4.8%	6.2%
Overall Change 2000-2010	2,358	2.5%	172,409	6.3%		
Avg Unemp. Rate 2000-2010					3.0%	3.9%
Unemployment Rate - June 2011					4.8%	6.2%

*Total employment data is as of June 2010; unemployment rate data reflects the average of 12 months of 2010.
Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Unemployment rate trends are another way of gauging an area's economic health. Over the past decade, the City of Alexandria unemployment rate has been consistently lower than that of the Washington MSA, with an average unemployment rate of 3.0% in comparison to a 3.9% rate for the

Washington MSA. This is another indication of the strength of the City of Alexandria economy over the longer term.

MAJOR EMPLOYERS
City of Alexandria

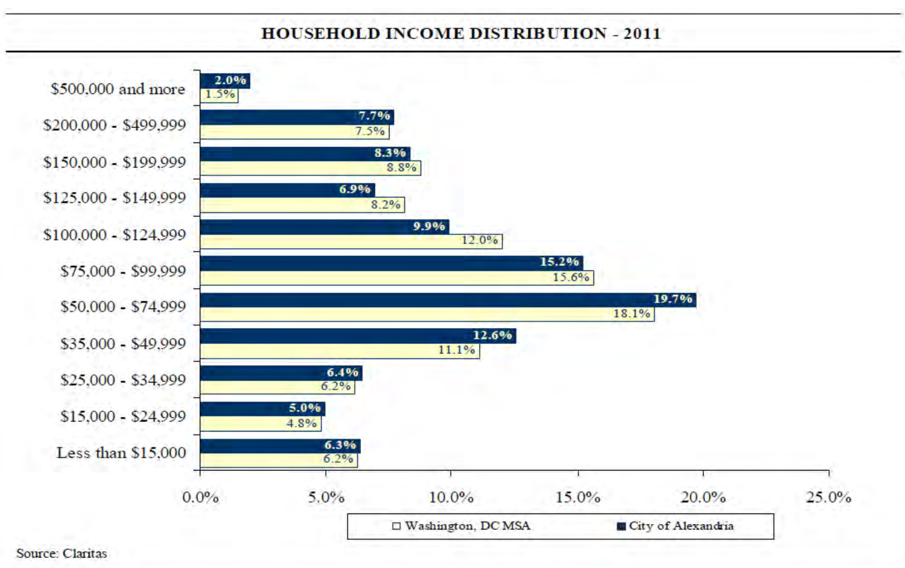
	Name	Number of Employees
1	Department of Commerce	2,000-10,000
2	City of Alexandria Public Schools	2,000-10,000
3	Department of Defense	2,000-10,000
4	The Alexandria Hospital	500-2,000
5	Washington Metro Area Transit Authority	500-2,000
6	ABM Janitorial Services Inc.	500-2,000
7	Commonwealth of Virginia	500-2,000
8	CNA Corporation	500-2,000
9	GALI Service Industries	500-2,000
10	Army Non-Appropriated Funds	500-2,000
11	Grant Thornton LLP	500-2,000
12	City of Alexandria	500-2,000

Source: Alexandria Economic Development Partnership

At the current time, the City of Alexandria unemployment rate is 4.8% in comparison to a 5.7% rate for the Washington MSA, a positive sign for the City of Alexandria economy but one that must be tempered by the fact that the City of Alexandria has experienced a higher percentage of job losses in the recent downturn than the Washington MSA.

Household Income

The City of Alexandria has a lower level of household income than the Washington MSA. Median household income for the City of Alexandria is $75,051, which is 7.2% less than the corresponding figure for the Washington MSA.



The City of Alexandria has a greater concentration of households in the middle income levels than the Washington MSA. Specifically, 32% of the City of Alexandria households are between the $35,000 - $75,000 levels in household income as compared to 29% of Washington MSA households. A lesser concentration of households is apparent in the higher income levels, as 50% of the City of Alexandria households are at the $75,000 or greater levels in household income versus 54% of Washington MSA households.

Demand Generators
Major demand generators in Alexandria include the Department of Defense (DoD), Institute for Defense Analyses, and the U.S. Patent and Trademark Office. Of note is the demand created as part of the Base Realignment and Closure Act (BRAC), especially the relocation of 6,400 military personnel, civilians, and contractors from Arlington to Alexandria (Mark Center).

The U.S. Patent and Trademark Office (USPTO) moved to Alexandria from Crystal City in 2005, relocating 7,100 employees to the area. The USPTO is comprised of five office buildings totaling roughly two million square feet. Their primary responsibility is to process applications for the granting and registering of U.S. patents and trademarks, as well as maintaining one of the world's largest electronic databases.

Fort Belvoir is a major military base located nine miles south of the subject. The base currently employs 23,000 people, which will double to 45,000 in 2012, due to BRAC. Most of the added positions will be in the administrative, medical, and special intelligence fields. Fort Belvoir will become the Missile Defense Agency's headquarters, among other designations. While the BRAC expansion is expected to have a significant impact on the local housing demand, construction has been delayed due to lagging road construction projects.

BRAC also mandated that over 1.4 million square feet of leased office space in Alexandria be vacated, which will result in a relocation of approximately 7,200 employees, or a net job loss of 800 workers when compared to the Mark Center relocation (7,200-6,400).

Alexandria is also home to numerous trade associations, non-defense federal agencies, charities, and non-profit organizations, including the United Way and the Salvation Army. The Alexandria campus of the Northern Virginia Community College (NOVA) is located within five miles of the subject. This campus educates more than 17,000 students each year, and employs approximately 450 faculty and staff.

In addition to its strong employment base, the area is easily accessible to the submarkets of Washington, DC, and Arlington, each within six miles. Access to employment centers in these and other submarkets is a major demand driver.

Office Market Analysis

During the second quarter of 2011, the Washington, DC, market continued to outperform the national economy, and remains a top market for commercial real estate investment. The region boasts a low unemployment rate, strong location to federal government, and an educated workforce, attracting both new residents and corporations. The resulting influx of people and jobs has increased home values, as well as multifamily and office property values. Construction activity, albeit slow, has returned to the market, with multiple new projects expected to deliver in 2012 and 2013. Retailers have expressed interest in the region, both by entering the market and adding store locations. Many of the vacant retail spaces of the previous year have been backfilled by credit national retailers. Industrial property is the remaining property sector to recover, although buyers have started to invest in quality properties with strong tenants. The economy is expected to continue to recover from the recession, with rents expected to rise, and vacancy rates to drop across most property types over the next two years.

Washington, D.C. Metro Office Market Analysis

The Washington, DC, area office market continues to show strength, as stalled construction returns to the area. The most ambitious downtown mixed-use project is CityCenterDC, which recently commenced construction on the former Washington Convention Center site. The "modern day Rockefeller Center" will feature 520,000 square feet of office, 185,000 square feet of retail, 216 condominiums, and 458 apartments - all surrounding a public plaza. The developers, Hines Interests and Archstone, are seeking high-end tenants to fill the office and retail space, which is expected to deliver in late 2013. Although large blocks of available office space are scarce in the District, being mostly occupied by law firms, none have committed to CityCenterDC.

In addition to the new construction, buyers are optimistic about market rents in the District. Many buyer pro formas include rent spikes in the two years following 2011, which remains flat. The rent spikes are expected to bring rents up to pre-recession numbers. In addition to increasing rents, concessions have receded in the market, and tenants have shown increased interest in leasing spaces up to 15,000 square feet. Northern Virginia has also been in the headlines as a rumored location for the new headquarters of both Bechtel Corp. (Reston). This would be in addition to recently landed headquarters for Northrop Grumman, Volkswagen of America, and Hilton Worldwide. In Maryland, Choice Hotels International recently signed for a new 138,000 square foot headquarters to be built in Rockville Town Center, relocating from their current headquarters in Silver Spring.

Metro Area Overview

Supply and demand indicators for office space in the Suburban Virginia area, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented below.

Year	Qtr	Inventory SF/Units	Completions	Inventory Growth%	Vacant Stock	Vacancy Rate	Vacancy Change(BPS)	Occupied Stock	Net Absorption	Asking Rent	Ask Rent % Chg
2006	Y	128,115,000	3,222,000	1.1%	13,211,000	10.3%	-40	114,904,000	1,751,000	$29.52	6.8%
2007	Y	129,617,000	3,034,000	1.2%	13,276,000	10.2%	-10	116,341,000	1,437,000	$30.54	3.5%
2008	Y	134,593,000	5,250,000	3.8%	18,026,000	13.4%	320	116,567,000	226,000	$31.24	2.3%
2009	4	134,757,000	34,000	- 0.2%	19,315,000	14.3%	0	115,442,000	-266,000	$31.11	- 0.4%
2009	Y	134,757,000	1,189,000	0.1%	19,315,000	14.3%	90	115,442,000	-1,125,000	$31.11	- 0.4%
2010	1	135,156,000	593,000	0.3%	19,609,000	14.5%	20	115,547,000	105,000	$31.25	0.5%
2010	2	135,077,000	0	- 0.1%	19,372,000	14.3%	-20	115,705,000	158,000	$31.33	0.3%
2010	3	135,315,000	238,000	0.2%	19,458,000	14.4%	10	115,857,000	152,000	$31.31	- 0.1%
2010	4	135,176,000	0	- 0.1%	19,657,000	14.5%	10	115,519,000	-338,000	$31.26	- 0.2%
2010	Y	135,176,000	831,000	0.3%	19,657,000	14.5%	20	115,519,000	77,000	$31.26	0.5%
2011	1	135,248,000	72,000	0.1%	20,217,000	14.9%	40	115,031,000	-488,000	$31.52	0.8%
2011	2	135,346,000	98,000	0.1%	20,211,000	14.9%	0	115,135,000	104,000	$31.62	0.3%

REIS Asset Advisor

The Suburban Virginia office market contains an overall inventory of about 135,200,000 square feet. Overall inventory has increased at a 1.1 % annual compound rate since 2002.

The market strengthened from 2003 to 2007, but has weakened since 2007 as a result of the national economic downturn. The overall vacancy rate is estimated to be 14.9% as of the current time, which represents an increase from a low mark of 10.2% reported in 2007. After four consecutive years of strong absorption, absorption was nominal in 2008 followed by a significant decline in 2009. Absorption was also nominal in 2010, and was negative for the first half of 2011. However, according to projections by REIS, absorption will be positive by year-end 2011, a trend that is expected to continue through 2015.

The effective rental rate for the 2nd quarter of 2011 was $26.27 per square foot. Rental rates decreased slightly from 2008 to 2010, from a high of $26.75 to a low of $25.91 per square foot, but have recovered to some extent through the first half of 2011. The effective rental rate is forecast to increase to $30.32 per square foot by 2015, which represents an average annual increase of 3.2% since the beginning of 2011.

Submarket Analysis

The following table, based on data generated by *CoStar,* summarizes supply and demand indicators for the Old Town Alexandria submarket, as designated by *CoStar,* for Class A and B non-owner occupied office buildings with at least 25,000 square feet over the past ten years.

Period	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	Total Gross Absorption	Direct Average Rate	Sublet Average Rate	Total Average Rate	Total SF Leased
QTD	85	6,460,097	18.2%	(57,568)	120,809	$33.74/fs	$31.71/fs	$33.44/fs	79,769
2011 3Q	85	6,460,097	17.3%	(113,555)	75,044	$33.47/fs	$31.69/fs	$33.23/fs	84,984
2011 2Q	85	6,460,097	15.6%	(10,716)	177,210	$33.47/fs	$31.89/fs	$33.28/fs	47,405
2011 1Q	85	6,460,097	15.4%	(96,936)	180,505	$33.32/fs	$30.97/fs	$33.12/fs	134,111
2010 4Q	85	6,460,097	13.9%	37,062	183,167	$32.83/fs	$29.04/fs	$32.61/fs	142,305
2010 3Q	85	6,460,097	14.5%	3,342	165,774	$33.25/fs	$27.50/fs	$32.65/fs	212,950
2010 2Q	85	6,460,097	14.5%	153,041	256,344	$33.57/fs	$28.08/fs	$32.80/fs	113,101
2010 1Q	85	6,460,097	16.9%	(49,495)	82,594	$33.07/fs	$27.74/fs	$31.95/fs	38,973
2009 4Q	84	6,345,900	14.6%	(85,873)	96,196	$34.21/fs	$27.40/fs	$32.45/fs	195,974
2009 3Q	84	6,345,900	13.3%	(108,338)	64,366	$34.18/fs	$27.98/fs	$32.71/fs	57,599
2009 2Q	84	6,345,900	11.6%	(87,691)	161,373	$33.18/fs	$29.09/fs	$32.12/fs	72,215
2009 1Q	84	6,345,900	10.2%	(84,640)	57,162	$33.73/fs	$30.39/fs	$32.98/fs	113,227
2008 4Q	84	6,345,900	8.9%	(46)	130,300	$33.93/fs	$30.53/fs	$33.23/fs	105,105
2008 3Q	84	6,345,900	8.9%	(56,797)	157,207	$33.87/fs	$30.61/fs	$33.18/fs	88,823
2008 2Q	84	6,345,900	8.0%	10,330	108,056	$33.90/fs	$30.50/fs	$32.89/fs	157,942
2008 1Q	84	6,345,900	8.1%	54,502	169,447	$33.20/fs	$30.85/fs	$32.58/fs	75,794
2007 4Q	84	6,345,900	9.0%	28,648	273,611	$33.61/fs	$30.49/fs	$32.79/fs	136,670
2007 3Q	84	6,345,900	9.4%	190,163	261,459	$34.22/fs	$30.18/fs	$33.32/fs	112,898
2007 2Q	84	6,345,900	12.4%	(7,007)	97,619	$33.51/fs	$30.31/fs	$32.80/fs	206,439
2007 1Q	84	6,345,900	12.3%	(1,928)	133,793	$32.90/fs	$29.95/fs	$32.33/fs	168,668
2006 4Q	84	6,345,900	12.3%	51,134	155,454	$33.03/fs	$28.53/fs	$32.17/fs	95,299
2006 3Q	84	6,345,900	13.1%	59,717	232,207	$32.42/fs	$28.49/fs	$31.77/fs	106,925
2006 2Q	82	6,137,839	11.1%	(108,504)	167,614	$31.58/fs	$28.22/fs	$30.98/fs	107,715
2006 1Q	82	6,137,839	9.4%	13,539	242,395	$31.42/fs	$28.17/fs	$30.77/fs	137,280
2005 4Q	82	6,137,839	9.6%	49,638	127,940	$31.97/fs	$28.09/fs	$31.21/fs	210,137
2005 3Q	82	6,137,839	10.4%	2,303	207,789	$30.12/fs	$28.51/fs	$29.80/fs	143,151
2005 2Q	82	6,137,839	10.4%	141,936	265,838	$29.92/fs	$24.46/fs	$29.40/fs	77,131
2005 1Q	82	6,137,839	12.7%	(20,627)	195,731	$29.89/fs	$24.00/fs	$29.43/fs	258,760
2004 4Q	82	6,137,839	12.4%	187,065	305,158	$30.21/fs	$24.19/fs	$29.05/fs	161,924
2004 3Q	82	6,137,839	15.4%	(62,305)	172,032	$29.94/fs	$21.38/fs	$28.28/fs	250,383
2004 2Q	81	5,998,645	12.4%	61,962	155,907	$29.48/fs	$22.02/fs	$28.00/fs	142,754
2004 1Q	81	5,998,645	13.5%	(178,100)	161,007	$29.64/fs	$22.99/fs	$28.21/fs	124,692
2003 4Q	81	5,998,645	10.5%	(1,765)	101,296	$27.81/fs	$23.92/fs	$27.12/fs	144,869
2003 3Q	81	5,998,645	10.5%	123,153	158,410	$27.38/fs	$24.32/fs	$26.66/fs	99,285
2003 2Q	81	5,998,645	12.5%	(31,340)	97,275	$27.29/fs	$24.70/fs	$26.65/fs	113,738
2003 1Q	81	5,998,645	12.0%	55,943	334,685	$28.85/fs	$25.48/fs	$28.45/fs	170,700
2002 4Q	81	5,998,645	12.9%	11,845	374,401	$28.91/fs	$24.76/fs	$27.94/fs	140,162
2002 3Q	81	5,998,645	13.1%	26,930	333,120	$28.77/fs	$24.54/fs	$27.83/fs	160,945
2002 2Q	81	5,998,645	13.6%	(62,751)	265,222	$28.93/fs	$24.69/fs	$28.01/fs	150,526
2002 1Q	81	5,998,645	12.5%	214,918	406,980	$29.07/fs	$26.06/fs	$28.40/fs	152,910
2001 4Q	80	5,785,756	13.0%	(61,599)	169,824	$29.47/fs	$25.02/fs	$28.26/fs	185,778
2001 3Q	80	5,785,756	12.0%	(97,408)	101,456	$30.07/fs	$25.74/fs	$29.05/fs	192,060
2001 2Q	80	5,785,756	10.3%	79,115	210,352	$30.25/fs	$22.57/fs	$28.62/fs	251,936
2001 1Q	79	5,706,756	10.4%	39,656	315,233	$29.50/fs	$27.44/fs	$28.79/fs	97,214

Supply Analysis

The Old Town Alexandria submarket contains an inventory of approximately 6.5 million square feet of Class A and B non-owner occupied office space, with approximately 114,197 square feet of new product being added to the submarket since 2008. There are currently zero office buildings under construction. A large number of projects in the submarket were completed and delivered over the past ten years, but the pace of development has slowed substantially over the past few years in response to the national economic recession. Proposed projects may be delayed indefinitely or substantially revised before moving forward.

New and Proposed Construction

For the Old Town Alexandria submarket, according to *CoStar*, there are zero office projects under construction and two proposed office projects in the pipeline, as detailed in the table below. It is unlikely that projects in the planning stage will proceed without substantial preleasing.

Building Address	Building Class	Building Name	# of Stories	Percent Leased	RBA	Status
1614 King St	B	King's Row	5	0.0%	50,000	Proposed
765 John Carlyle St	A	Carlyle Plaza One	10	0.0%	368,429	Proposed

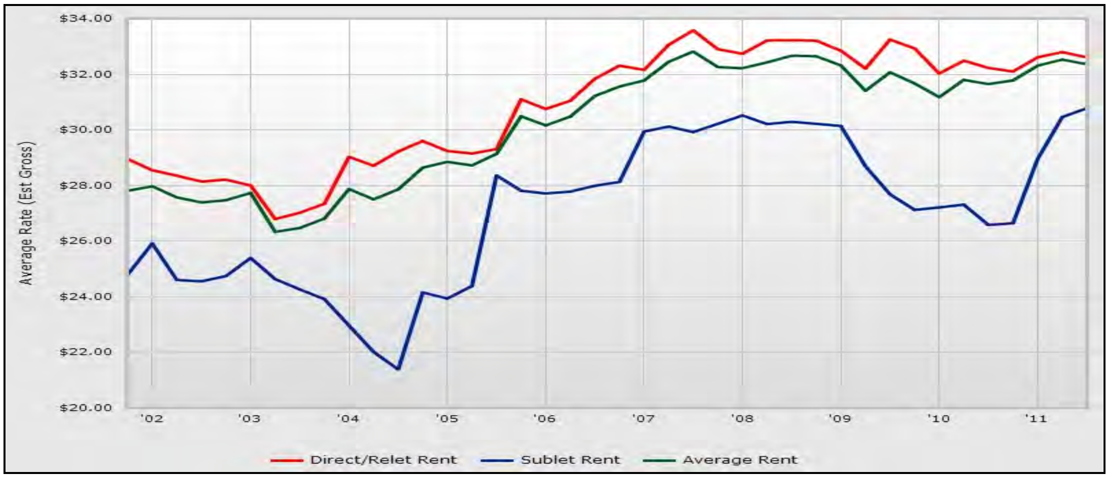
Vacancy Rate Trends

Vacancy rate trends for the submarket are charted below.

The submarket's overall vacancy Class A and B office space rate peaked at 17.5% in the 1st quarter of 2010 after experiencing a low of 10.0% in the 4th quarter of 2007. The overall vacancy rate decreased slightly through the 4th quarter of 2010, but has recently increased to 17.7% as of the current time. The direct vacancy rate has largely mirrored the overall vacancy rate, while sublet vacancy has generally remained below 2%, it is currently 2.9%.

Rental Rate Trends

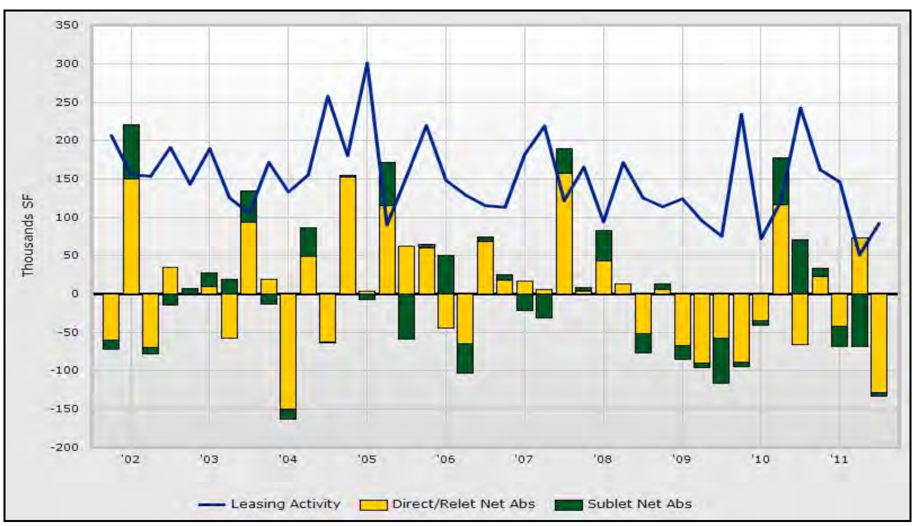
Rental rate trends for the submarket are charted below.



The current direct rental rate for Class A and B office space in the submarket is $32.94 per square foot, full-service. As shown in the chart above, rental rates steadily increased from mid 2003 to mid 2007. Following the onset of the national economic downtown; however, rental rates decreased slightly before remaining generally flat. The average rental rate has largely mirrored the direct rental rate. The sublet rental rate decreased sharply from early 2009 to mid 2010, but as of the current time has recovered to prerecession levels.

Demand Analysis

As shown in the chart below, leasing activity has slowed over the last year.



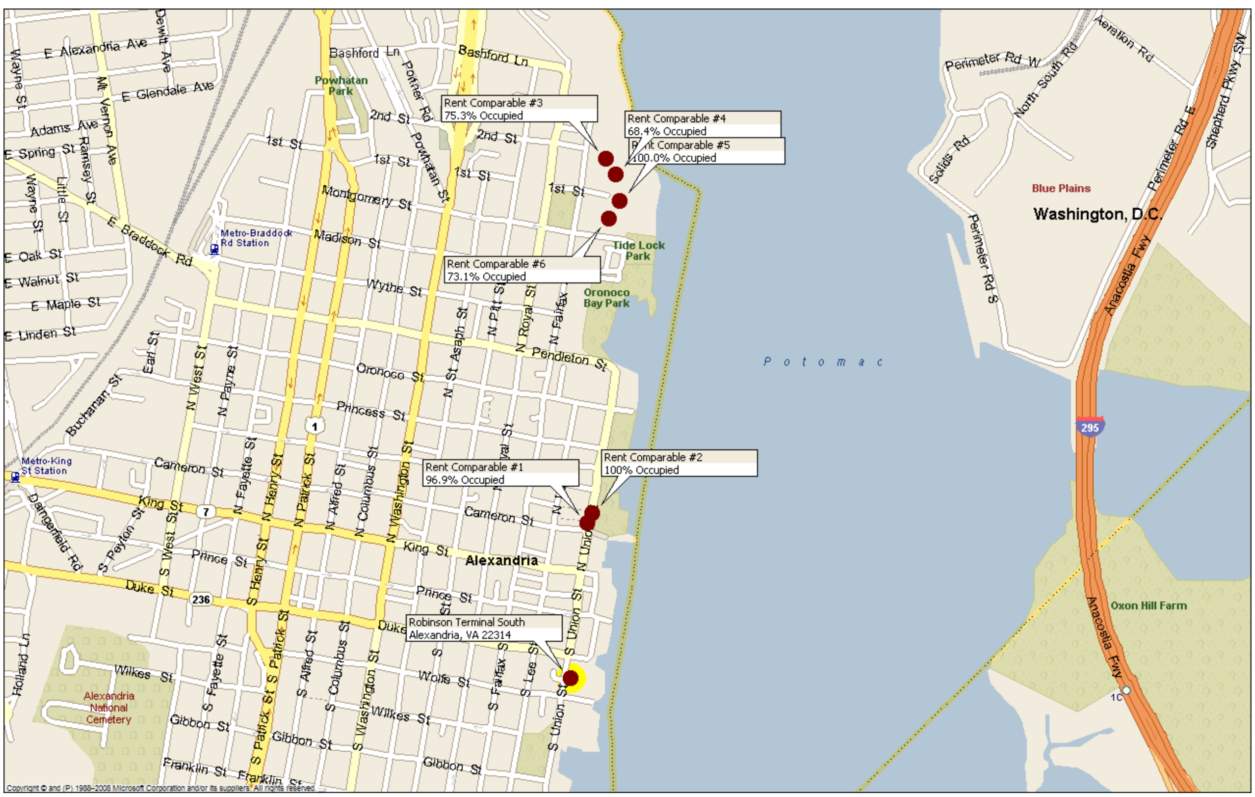
Net absorption in the submarket has been positive four of the past five years. Based on the most recent rate of absorption in the submarket, 143,950 square feet per year experienced in 2010, the time required to attain stabilized vacancy of 5% to 10% is approximately 2.5 to 4.8 years. Based on the highest rate of absorption in the past five years, 209,876 square feet, the market will take approximately 1.7 to 3.3 years to attain a stabilized vacancy rate of 5% to 10%. Year to date, absorption is negative 221,207 square feet.

Comparable Office Properties

The comparable properties were selected and researched using data obtained through CoStar and market professionals. The purpose of this aspect of the market analysis is to examine, compare and rank the property's attributes to comparable properties in the market area to determine current achievable market rents in terms of specific services the subject site provides and the specific needs it satisfies. Below is a list of for-rent waterfront properties in Old Town, Alexandria as well as a map delineating their locations in proximity to the subject site.

Summary of Waterfront Asking Rent Comparables

Comp #	Address	Year Built	Size (SF)	Rent PSF/Yr	Occupancy	Lease Type
1	201 N. Union St.	1983	104,000	$39.00	96.9%	Full Service
2	211 N. Union St.	1987	50,524	$30.00	100.0%	Full Service
3	66 Canal Center Plz.	1987	131,957	$34.00	75.3%	Full Service
4	44 Canal Center Plz.	1987	176,765	$30.00	68.4%	Full Service
5	11 Canal Center Plz.	1986	77,578	-	100.0%	-
6	99 Canal Center Plz.	1987	152,345	-	73.1%	-



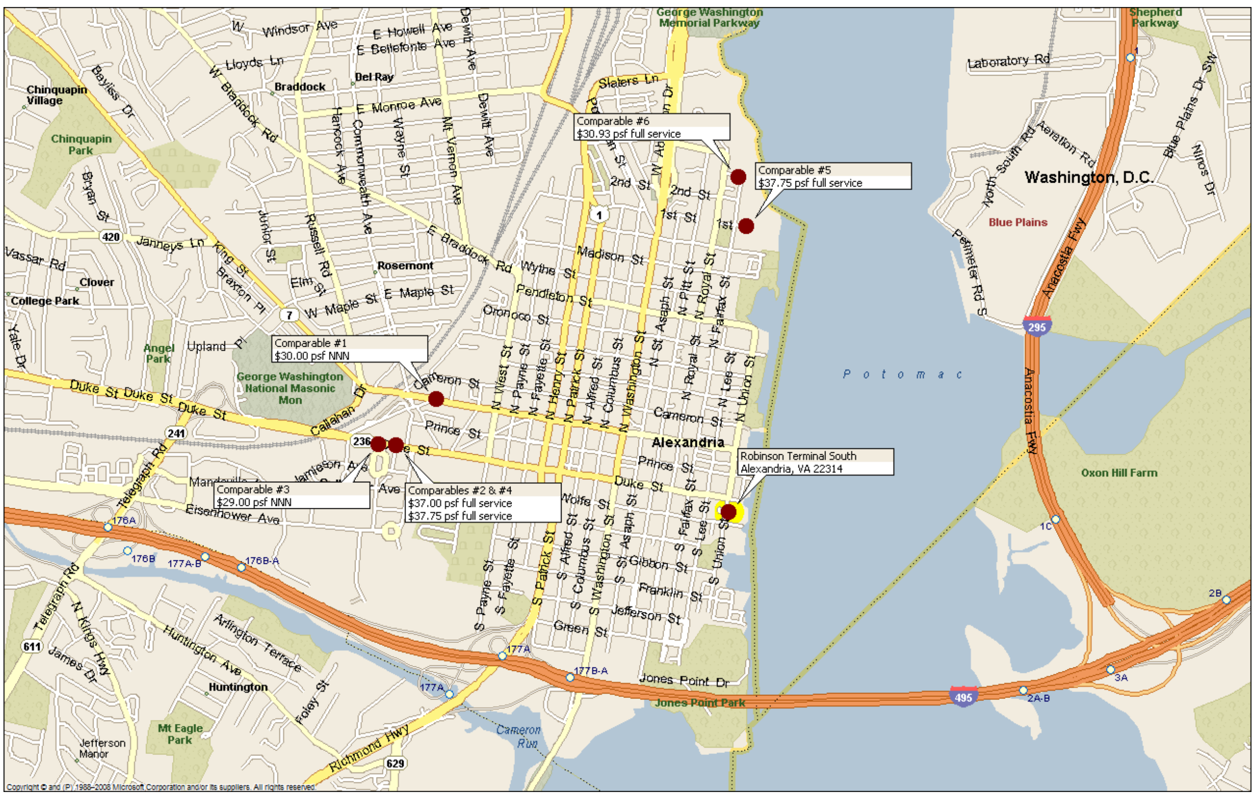
Comparables #1 and #2 are the only two of the set that are actually in the true Old Town Market. The four to the north are not within walking distance of the downtown area. All six of the comparables were built pre 1990 and would need to be adjusted for age and condition if compared with the proposed development at the Robinson Terminal South site.

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases. Also, it is important to compare current contract rent levels with market rent levels. To estimate market rent, the following factors should be analyzed: location, building class, size and transaction date. Below is a summary of comparable office rentals and a corresponding map.

Summary of Comparable Rentals

Comp #	Address	Year Built	Size (SF)	Occupancy	Lease Date	Lease Term	Lease Area	Rent PSF/Yr	Lease Type
1	1737 King Street	1998	141,048	95.7%	May-11	7.2 Yrs	57,570	$30.00	NNN
2	1725 Duke Street	1989	147,334	78.2%	Apr-11	7 Yrs	3,914	$37.00	Full Service
3	1900 Duke Street	2000	95,000	85.3%	Apr-11	7 Yrs	10,036	$29.00	NNN
4	1725 Duke Street	1989	147,334	78.2%	Apr-11	7 Yrs	3,726	$37.75	Full Service
5	44 Canal Center Plz.	1987	176,765	68.4%	Apr-11	10.4 Yrs	36,779	$37.75	Full Service
6	1199 N. Fairfax Street	1982	106,056	77.4%	Mar-11	5 Yrs	2,000	$30.93	Full Service

Provided by CBRE



The overall range is $29.00 - $37.75 per square foot with an average of $33.74 per square foot. The criterion for adjustment was based on what was thought to be the most important site and location factors including age, location, size, class and lease type. Based on these factors, the estimated rental rate is expected to be **$35.00** per square foot per year. This rate was adjusted to assume reimbursements on a full-service basis meaning the landlord is responsible for paying all operating expenses including maintenance, real estate taxes and insurance.

Hotel Market Analysis

By year-end 2011, Washington DC hotels are forecast to see a RevPAR increase of 2.0%. This is the result of an estimated minor increase in occupancy of 0.3% and a 1.8% gain in average daily room rates (ADR). The 2.0% advance in Washington DC RevPAR is worse than the national projection of a 7.2% increase. The local market was not hurt as badly as the national during the economic down turn, so the slight increase in our market is still highly favorable.

Leading the way in 2011 RevPAR growth is the upper-priced segment of Washington DC. The properties in this category are forecast to attain a 2.0% gain in ADR, but suffer a 0.2% decrease in occupancy, resulting in a 1.8% RevPAR increase. Lower-priced hotels are projected to experience an ADR growth rate of 0.7%, along with a 1.0% gain in occupancy, resulting in a 1.7% RevPAR increase.

Looking towards 2012, Washington DC RevPAR is expected to grow 4.4%. This is better than the rate of growth in 2011. Unlike 2011, prospects for RevPAR growth in the lower-priced segment (positive 6.8%) are better than in the upper-priced segment (positive 3.8%). Washington DC market occupancy levels are expected to range from 67.2% to 69.4% during the 5-year forecast period.

Washington DC Market Profile

Total Room Supply: 104,829

Washington DC Top Brands

Upper-Priced Brands	Properties	Rooms	% Market	Lower-Priced Brands	Properties	Rooms	% Market
Marriott	17	7,617	7.3%	Holiday Inn	21	4,731	4.5%
Hilton	12	4,983	4.8%	Comfort Inn	33	3,825	3.6%
Courtyard	28	4,705	4.5%	Hampton Inn	24	2,786	2.7%
Residence Inn	28	4,442	4.2%	Best Western	19	2,519	2.4%
Hyatt	7	3,377	3.2%	Days Inn	17	1,870	1.8%

Source: Smith Travel Research

Washington DC Supply Pipeline

	Upper-Priced			Lower-Priced			Unclassified / Independent		
Phase	Properties	Rooms	% Market	Properties	Rooms	% Market	Properties	Rooms	% Market
Pre-Planning	9	1,785	1.7%	2	141	0.1%	5	1,380	1.3%
Planning	11	1,448	1.4%	10	1,047	1.0%	6	2,300	2.2%
Final Planning	10	1,266	1.2%	14	1,554	1.5%	0	0	0.0%
In Construction	4	1,536	1.5%	4	406	0.4%	3	366	0.3%
Total	34	6,035	5.8%	30	3,148	3.0%	14	4,046	3.9%

Source: Dodge / TWR / STR / PKF-HR

Pipeline Status Definitions

Phase	Definition
Pre-Planning	No architect has been selected
Planning	An architect or engineer has been selected for the project and plans are underway. Initial approvals have usually been granted.
Final Planning	The project will go out for bids, or construction will start within 4 months.
In Construction	Ground has been broken or the owner is finalizing bids on the prime (general) contract.

Hotel Horizons September – November 2011 Report.

Source: Dodge / TWR / STR

Washington DC Submarket Map

Total Room Supply: 104,829

Source: Smith Travel Research

Washington DC Submarket Summary

Submarket	Upper-Priced			Lower-Priced			Totals		
	Properties	Rooms	% Market	Properties	Rooms	% Market	Properties	Rooms	% Market
District of Columbia	84	23,632	22.5%	32	4,006	3.8%	116	27,638	26.4%
Bethesda - Silver Spring	16	3,558	3.4%	27	2,711	2.6%	43	6,269	6.0%
Arlington	26	8,286	7.9%	19	2,596	2.5%	45	10,882	10.4%
Alexandria	19	3,972	3.8%	36	4,258	4.1%	55	8,230	7.9%
Fairfax/Tysons Corner	25	5,866	5.6%	24	2,635	2.5%	49	8,501	8.1%
I-95 Fredericksburg	8	899	0.9%	73	6,277	6.0%	81	7,176	6.8%
Dulles Airport Area	35	6,860	6.5%	28	3,464	3.3%	63	10,324	9.8%
Suburban Maryland	16	4,154	4.0%	61	5,937	5.7%	77	10,091	9.6%
Frederick/Rockville	16	2,964	2.8%	39	4,806	4.6%	55	7,770	7.4%
Suburban Virginia	7	840	0.8%	83	7,108	6.8%	90	7,948	7.6%
Total	252	61,031	58.2%	422	43,798	41.8%	674	104,829	100.0%

Source: Smith Travel Research

Submarket Profile - Alexandria

Total Rooms: 8,230

The Alexandria hotel submarket consists of hotels located in the city of Alexandria, both along Interstates 395 and 495, and in Old Town.

Submarket Rank*

9

Out of 10

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*

90%

*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

Alexandria Submarket Inventory

Upper-Priced	Properties	Rooms	% Submkt.	Lower-Priced	Properties	Rooms	% Submkt.
Inventory	19	3,972	48.3%	Inventory	36	4,258	51.7%
Upper-Priced Brands by Share	**Properties**	**Rooms**	**% Submkt.**	**Lower-Priced Brands By Share**	**Properties**	**Rooms**	**% Submkt.**
Hilton	3	987	12.0%	Comfort Inn	3	405	4.9%
Residence Inn	3	581	7.1%	Holiday Inn	2	373	4.5%
Courtyard	3	572	7.0%	Hampton Inn	3	363	4.4%

Source: Smith Travel Research

Alexandria Construction Pipeline

	Upper-Priced			Lower-Priced			Unclassified / Independent		
Phase	Properties	Rooms	% Submkt.	Properties	Rooms	% Submkt.	Properties	Rooms	% Submkt.
Pre-Planning	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	1	98	1.2%	1	104	1.3%	1	625	7.6%
Final Planning	0	0	0.0%	0	0	0.0%	0	0	0.0%
In Construction	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	1	98	1.2%	1	104	1.3%	1	625	7.6%

Source: Dodge / TWR / STR / PKF-HR

Alexandria Performance - All Hotels

Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2006	67.5%	-7.3%	$125.00	9.6%	$84.35	1.5%
2007	66.0%	-2.3%	$131.84	5.5%	$86.95	3.1%
2008	64.4%	-2.4%	$141.16	7.1%	$90.91	4.6%
2009	62.4%	-3.2%	$135.72	-3.9%	$84.64	-6.9%
2010	66.7%	7.0%	$133.17	-1.9%	$88.83	5.0%
2Q10 YTD	68.4%	5.6%	$137.98	-3.2%	$94.37	2.2%
2Q11 YTD	67.8%	-0.8%	$134.66	-2.4%	$91.32	-3.2%

Alexandria Performance - Upper-Priced Hotels

Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2006	68.8%	-8.4%	$158.29	10.5%	$108.90	1.2%
2007	68.5%	-0.4%	$165.26	4.4%	$113.24	4.0%
2008	67.3%	-1.8%	$174.36	5.5%	$117.33	3.6%
2009	67.7%	0.6%	$162.88	-6.6%	$110.25	-6.0%
2010	71.6%	5.8%	$162.60	-0.2%	$116.46	5.6%
2Q10 YTD	73.4%	5.4%	$169.54	-1.5%	$124.43	3.9%
2Q11 YTD	71.7%	-2.3%	$165.03	-2.7%	$118.39	-4.9%

Alexandria Performance - Lower-Priced Hotels

Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2006	66.4%	-6.4%	$96.26	8.9%	$63.89	1.9%
2007	63.8%	-3.8%	$102.02	6.0%	$65.11	1.9%
2008	61.7%	-3.3%	$107.89	5.7%	$66.61	2.3%
2009	57.1%	-7.6%	$103.63	-3.9%	$59.13	-11.2%
2010	61.8%	8.3%	$98.96	-4.5%	$61.14	3.4%
2Q10 YTD	63.3%	5.5%	$100.94	-7.5%	$63.92	-2.3%
2Q11 YTD	63.8%	0.8%	$99.70	-1.2%	$63.61	-0.5%

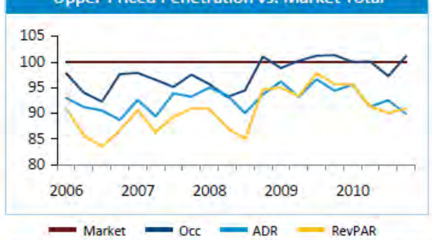
Source: Smith Travel Research

All Hotels Penetration vs. Market Total

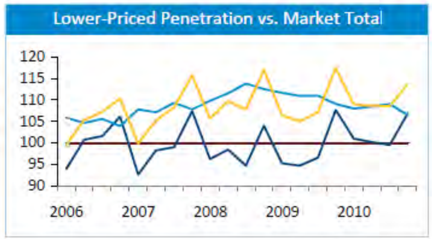
Year	Occ	ADR	RevPAR
2006	98.8%	88.2%	87.1%
2007	96.7%	87.9%	85.0%
2008	96.3%	92.0%	88.6%
2009	96.6%	93.4%	90.2%
2010	99.5%	92.8%	92.4%
2Q10 YTD	100.5%	93.5%	94.0%
2Q11 YTD	99.8%	89.6%	89.4%

Source: Smith Travel Research

Upper-Priced Penetration vs. Market Total



Lower-Priced Penetration vs. Market Total



Source: Smith Travel Research

The Alexandria lodging market derives much of its support from (1) government- or government-related business travelers visiting federal government offices in the region; and (2) leisure travelers visiting destinations in DC, among others. According to recent data prepared by TNS TravelsAmerica for the Alexandria Convention & Visitors Association, "leisure" and "business-related" travelers account for the main bulk of paid lodging nights in Alexandria; the leisure segment accounts for a slightly larger portion. Among business travelers, government-related business travelers are cited as an important subset; this category provides a stable market base, with per diem allowances generally targeting regional mid-range rates.

Old Town Alexandria's historic ambience and retail presence gives it an advantage for many travelers. While Arlington Metro station areas are closer to Washington DC, Old Town Alexandria offers a strong competitive location for travelers targeting DC destinations. Within Alexandria, the Old Town core area represents the strongest lodging submarket. The core area submarket of Old Town includes a total of seven properties. The main competition of this subset for the potential redevelopment is the Lorien, Hotel Monaco and the Morrison House. All three are operated by Kimpton.

Old Town derives its advantages from (1) reasonable proximity to the King St. or Braddock Road Metro Stations; (2) the historic ambience of the Old Town district and the retail/restaurant presence along King Street; (3) its proximity to Reagan National Airport; and (4) the scarcity of other easily developable property in close-in suburban locations. Over a long-term time frame, ne w developments in the Potomac Yards area may be competitive for high-quality lodging, but over the next ten years Old Town will be able to offer the dominant location for future opportunities in Alexandria.

Within Old Town, the waterfront offers a prime location. Future improvements to the area (as envisioned in the City's waterfront plan) as well as expanded access options (e.g., water taxi service as well as trolleys and shuttles), will give the waterfront a prime location for future lodging development.

New hotels on the Old Town waterfront would sit more than one mile from the closest (King Street) Metro station. This relative disadvantage, however, can be partly offset by the waterfront's proximity to the Old Town core, by an improved waterfront setting with new amenities, and by a combination of transportation options that will include shuttle services, trolley service, and possibly expanded water taxi services.

The Small Area Plan for the Waterfront of Old Town is suggesting a 150-key boutique hotel. This limits the brand, services, and amenities that a hotel on the waterfront could offer. The handicap placed on the subject does not offer a great return in a hotel scenario due to the price of the land and the construction costs. If the number of rooms were increased it would make a hotel development more feasible.

Based on an Alexandria, Virginia January 2005 to September 2011 Smith Travel Research Report there are 11 hotels that would be competition for the subject. The September year-to-date occupancy for this comp set is 77.1% compared to 2010 of 77.4%. The 2010 occupancy peaks in April at 87% and has a low of 52.5% in December. 2005 had the highest year-end occupancy at 77.8% and 2007 and 2008 were the low at 69.0%. This shows a strong occupancy even during the economic crisis.

The average-daily-rate (ADR) for this same comp set is $166.78 YTD and for 2010 it was $168.58. For 2011 May was the best month with an ADR of $181.09, the low was August at $139.26. Going back 6 years, 2008 was the highest in terms of ADR $182.10, but as noted above one of the lower occupied years.

The revenue-per-available-room (RevPar) for this comp set based on YTD is $128.65. 2010 year end was the highest over the past 6 years at $126.99. 2009 was the second lowest year at $119.10. The RevPar had been growing slowly from 2005-2007, peaked to $125.73 in 2008, dropped back to $119.10 in 2010 and is at $128.65 through September 2011. Historically the YTD numbers through September have been higher by about $4.00-5.00 dollars per room. This would lead to a year-end estimate of $124.00.

There have been no new hotels delivered to the market since 2008/2009, the Lorien Hotel & Spa, a Kimpton brand.

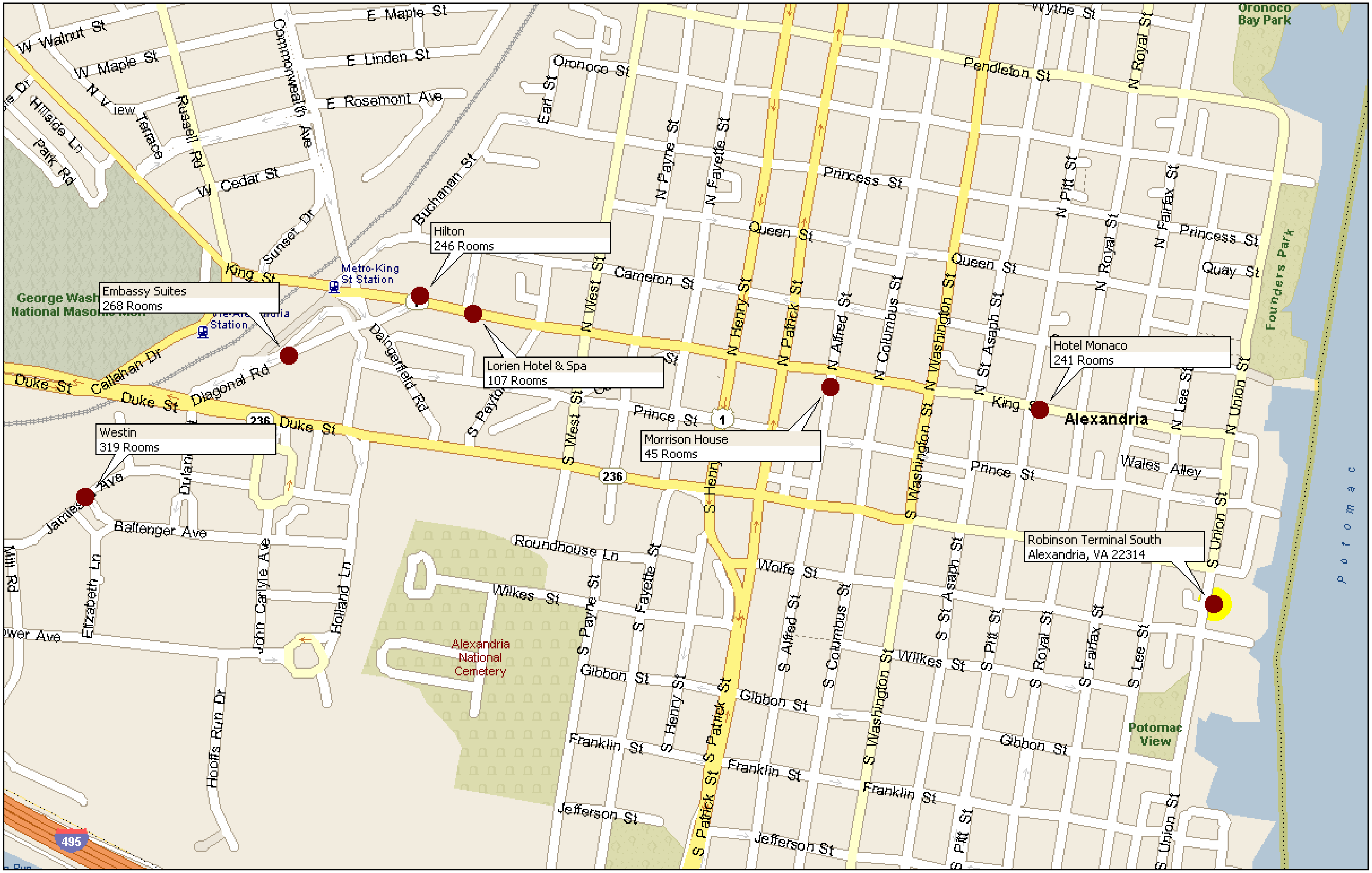
A more refined data set can be seen below.

Name of Establishment	Flagged	Open Date	Rooms	2011			2010		
				Occ.	ADR	RevPar	Occ.	ADR	RevPar
Hilton Alexandria Old Town	Feb 2000	Feb 2000	246	80.0%	$192.00	$153.60	76.0%	$197.31	$149.90
Westin Alexandria Hotel	Nov 2007	Nov 2007	319	72.0%	$180.00	$129.60	80.0%	$210.00	$168.00
Embassy Suites Alexandria Old Town	Nov 1990	Nov 1990	268	81.0%	$204.00	$165.24	75.0%	$194.00	$145.50
Kimpton Hotel Monaco Alexandria	Jan 2009	Oct 1975	241	76.0%	$187.00	$142.12	73.0%	$186.00	$135.78
Kimpton Morrison House	Jan 2009	Jun 1985	45	80.0%	$192.99	$153.78	71.0%	$179.00	$127.09
Kimpton Lorien Hotel & Spa	Mar 2009	Mar 2009	107	76.0%	$192.00	$145.00	69.0%	$158.00	$109.00

The 6 hotels listed above would be direct competition for the proposed 150-key boutique hotel on the waterfront. The statistics above compare favorably with the overall Old Town hotel market. An average of the YTD 2011 figures shows occupancy of 77.5%, ADR of $191.30 and RevPar of $148.20. The 2010 year-end figures are strong as well with occupancy at 74.0%, ADR of $187.40 and RevPar of $139.20.

The Lorien hotel which opened in 2009 showed a large occupancy increase going from 65% in 2009 to 76% three years later. The Westin opened in 2008 and had similar success, first year occupancy was 59% and last year ended at 71%. Because of the location on the waterfront, and distance from King and Union Streets, an attraction no other hotel in this comp set has, would be a huge advantage to benefit the ADR and occupancy figures. Not only would it help the occupancy but the ADR would increase as the waterfront views and location being the closest to King and Union Streets

A map on the following page shows the location of each hotel in relation to the subject.


Hilton
246 Rooms
Embassy Suites
268 Rooms
Lorien Hotel & Spa
107 Rooms
Hotel Monaco
241 Rooms
Westin
319 Rooms
Morrison House
45 Rooms
Robinson Terminal South
Alexandria, VA 22314
Alexandria
Metro-King St Station
Alexandria National Cemetery
Oronoco Bay Park
Founders Park
Potomac View
King St
Duke St
Prince St
Queen St
Princess St
Cameron St
Pendleton St
Wythe St
Oronoco St
Wolfe St
Wilkes St
Gibbon St
Franklin St
Jefferson St
Roundhouse Ln
Diagonal Rd
Callahan Dr
Daingerfield Rd
Commonwealth Ave
Buchanan St
N West St
S West St
N Payne St
S Payne St
N Fayette St
S Fayette St
N Henry St
S Henry St
N Patrick St
S Patrick St
N Alfred St
S Alfred St
N Columbus St
S Columbus St
N Washington St
S Washington St
N St Asaph St
S St Asaph St
N Pitt St
S Pitt St
N Royal St
S Royal St
N Fairfax St
S Fairfax St
N Lee St
S Lee St
N Union St
S Union St
Quay St
Wales Alley
E Maple St
E Linden St
E Rosemont Ave
W Walnut St
W Maple St
W Cedar St
Russell Rd
Sunset Dr
Hillside Ln
Park Rd
Jamieson Ave
Ballenger Ave
Elizabeth Ln
John Carlyle Ave
Holland Ln
Hooffs Run Dr
Mill Rd
236
1
495

VI. PROJECT DESIGN & CONSTRUCTION

Office Development

Presently, Skanska is developing 1776 Wilson Boulevard in Arlington, Virginia. This building is an excellent example of an office building that could be developed at Robinson Terminal, or a similar project. The development contains 108,000 RSF of Class A office space and 26,000 SF of street level retail. The building will be five stories, but the 4th floor will contain a roof terrace for tenants. Below is an aerial rendering of 1776 Wilson showing the 4th floor courtyard:

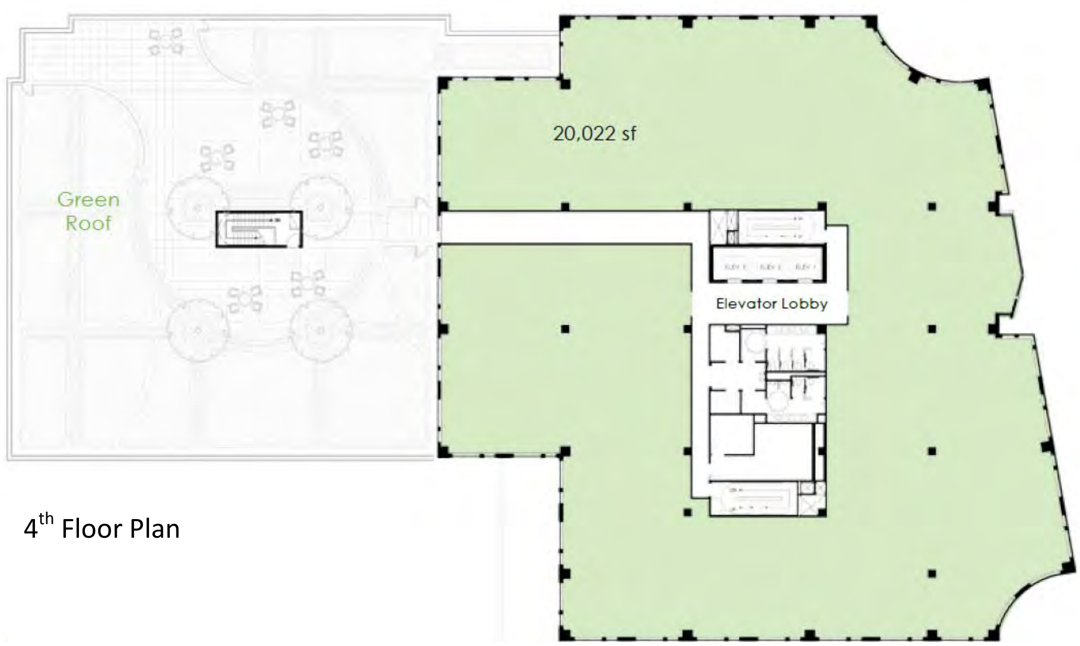
For this design to be effective at the Robinson site the front of the building, the 5 story side, would face S Union Street and the courtyard area would look out over the Potomac River. The parking garage entrance would be located on Wolfe Street and the ground floor retail would face S Union Street, Duke Street and the Potomac River. Restaurants would be located in the rear overlooking the Potomac.

The "L" shape design is equally as important because it would incorporate the historical warehouse on site. The lobby would be located with an entrance off of S Union Street and lead to an elevator bank to serve the upper floors. The entrance to the parking garage would be located just behind that area.

Due to the high limit of 50 feet the subject could be constructed out of wood instead of concrete to save on cost. The exterior of the building will be full brick with minimal precast accents. Windows will be fixed, set into aluminum frames. Aluminum window frames are more costly than wood or plastic, but are used in the majority of commercial and institutional applications. The windows will be large as to let in as much natural light as possible but energy efficient to keep heating and cooling costs lower.

The Robinson site allows for floors 2-3 to each be ±33,000 rentable square feet (rsf) and floors 4-5 to each be ±21,000 rsf. The ground floor will be ±25,000 rsf as it has a lobby area, the underground parking entrance, loading area and trash bins. Based on the floor plan below there are options of how restaurants or other boutique shopping could be placed on site. On the street level floor plan below the retail space is located in the northeast corner. The southeast corner could be divisible into shopping and restaurant or any combination fitting.

Street Level
Floor Plan



4th Floor Plan

The site allows for over ±300,000 GSF to be built, but with parking restrictions and the proximity to the water, achieving such a large density would be difficult. After reading through the Plan, I believe that such a large development would not be permitted because it would interfere with the direction of the City to become more connected, especially along the Potomac. Each floor would have a finished height of at a minimum of 9 feet. The corridors will be carpet, painted walls, drywall ceilings and decorative wall sconces. Tenant space would be finished to their specifications.

The proximity to the Potomac River poses a substantial obstacle to development because of the damp soil underfoot, the water table and flooding. An environmental report, geotechnical report and wetlands survey would be required to gain a full understanding of the site and development potential. At this point the size of the water table is unknown, but given its location the soil is going to be very wet. The damp conditions will require the use of piles to be driven into the ground for adequate support to the foundation. Pilings could cost anywhere from $700,000 – $1,000,000 (according to Richard A. Mielbye, President, FPG Development Corp.) and could require the use of up to 50 piles on the site depending on the amount of water in the earth.

To construct the parking garage, the proposal I have included is for a 1-story below grade structure, a slurry wall would have to be built to shore up the earth walls and then pour the concrete walls using pre-cast forms and tied back to hold the earth in place.

Another site obstacle is environmental conditions. The site has been used to transport newspaper and other shipping/receiving practices for over 100 years. Boats, trucks, forklifts and other machines have been used in operation at the site and the potential exists for fuel and oil leakage. These issues would certainly delay the construction of the site and could drastically increase the cost to develop.

The all in construction costs for the office building would be $34,478,089. This includes the extra site work and underground parking costs.

Description		Total	$/PSF
Hard Costs		23,100,000	$165.00
Soft Costs		1,820,000	$13.00
Land		1,680,000	$12.00
Proffers		490,000	$3.50
Parking (# of Spaces)		280	$35,000
Tenant Improvements*		2,800,000	$40.00
Leasing Commissions		1,000,000	$7.14
LEED Certification		140,000	$1.00
Contingency	10.00%	3,447,809	$24.63
Total		34,478,089	$246.27

**Roughly half of gross SF estimated at start up.*

The building will take approximately two years to construct and lease-up will follow immediately of any non pre-leased space. I have targeted year three for stabilization.

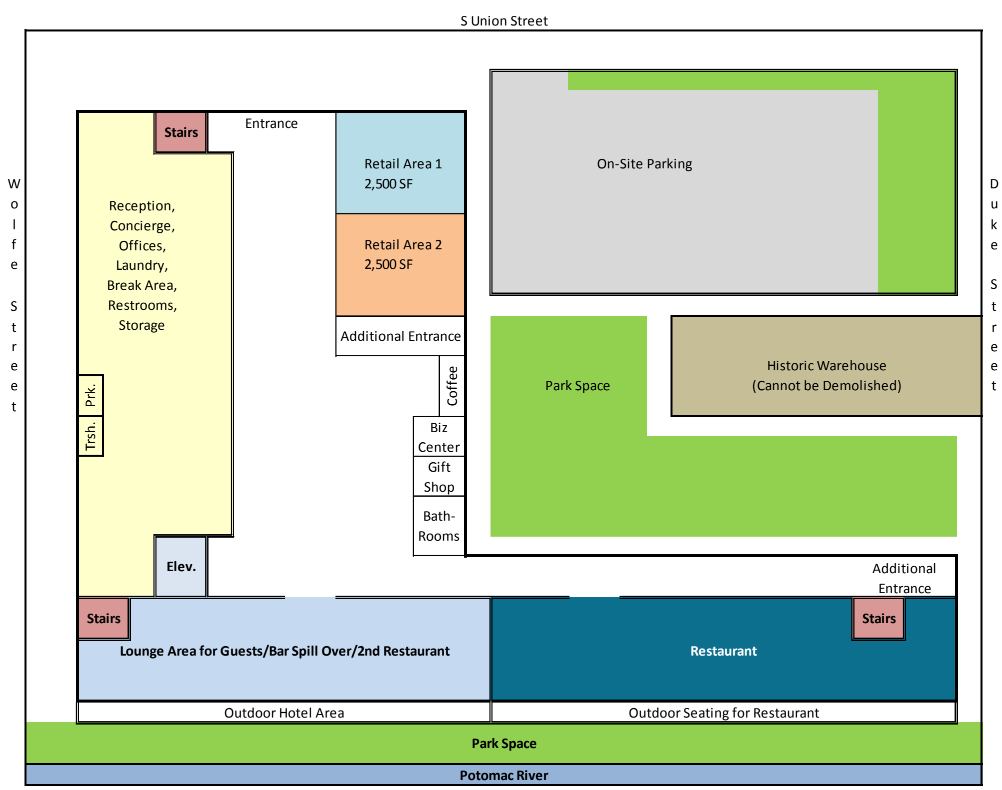
Hotel Development

The plan recommends a 150-key hotel as the preferred use at the Robinson site. If a hotel is developed on site the front desk and reception areas would be located at the S Union and Wolfe Streets intersection. Guests would be able to drive onto the property from Wolfe and drop off luggage and check-in while under a covered entrance. A small surface parking lot would be located at the corner of Duke and S Union Streets with ingress/egress from Wolfe Street. The lot would be well landscaped and surrounded by a low brick wall with walkways for pedestrian access to the hotel and retail shops. The retail shops would be located at the corner of Duke and S Union Streets with dedicated parking in the shared surface lot. The underground garage for the hotel guests and staff would be located off of Wolfe Street, half way down the block.

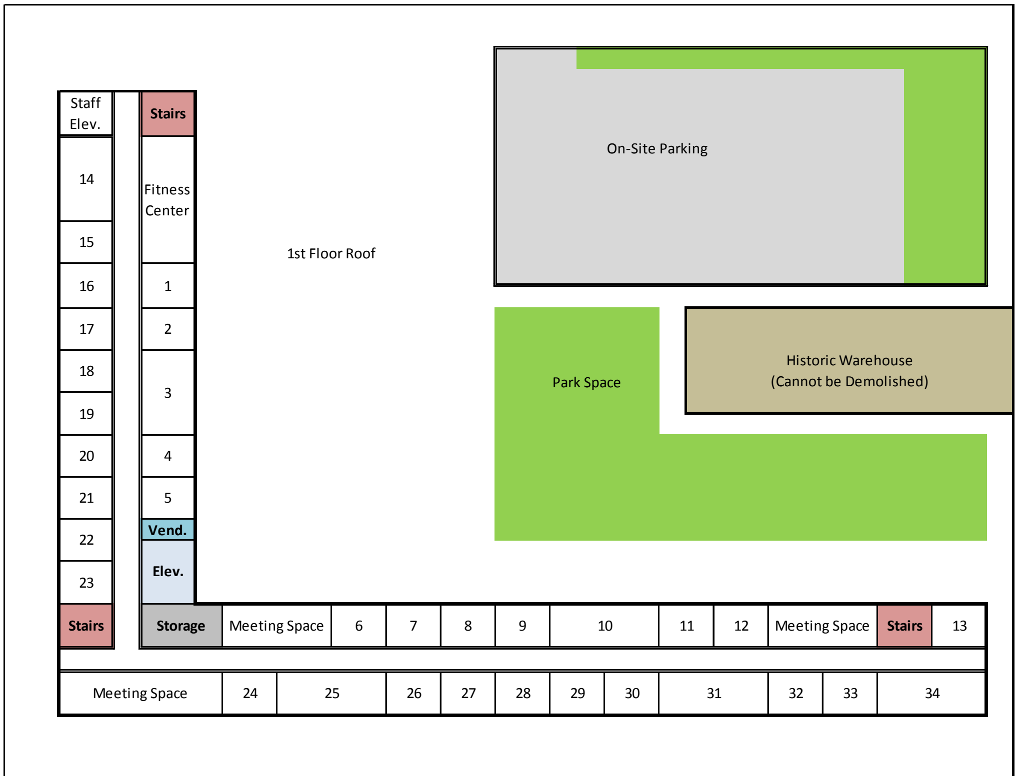
The layout described will provide guests with a drop off area and then allow them to circle around the lot enter onto Wolfe Street and then proceed to the underground garage. There will be one restaurant located along Duke Street that fronts the Potomac River. There is potential for a second restaurant along Wolfe Street that would also face the Potomac. The first floor will feature reception, concierge, hotel offices, laundry, storage, a Starbucks, small hotel gift shop, business center and public restrooms.

The property would have three entrances, the main entrance from S Union Street, a secondary entrance from Duke providing access from the surface parking and a third further east on Duke closer to the water for restaurant patrons and hotel guests.

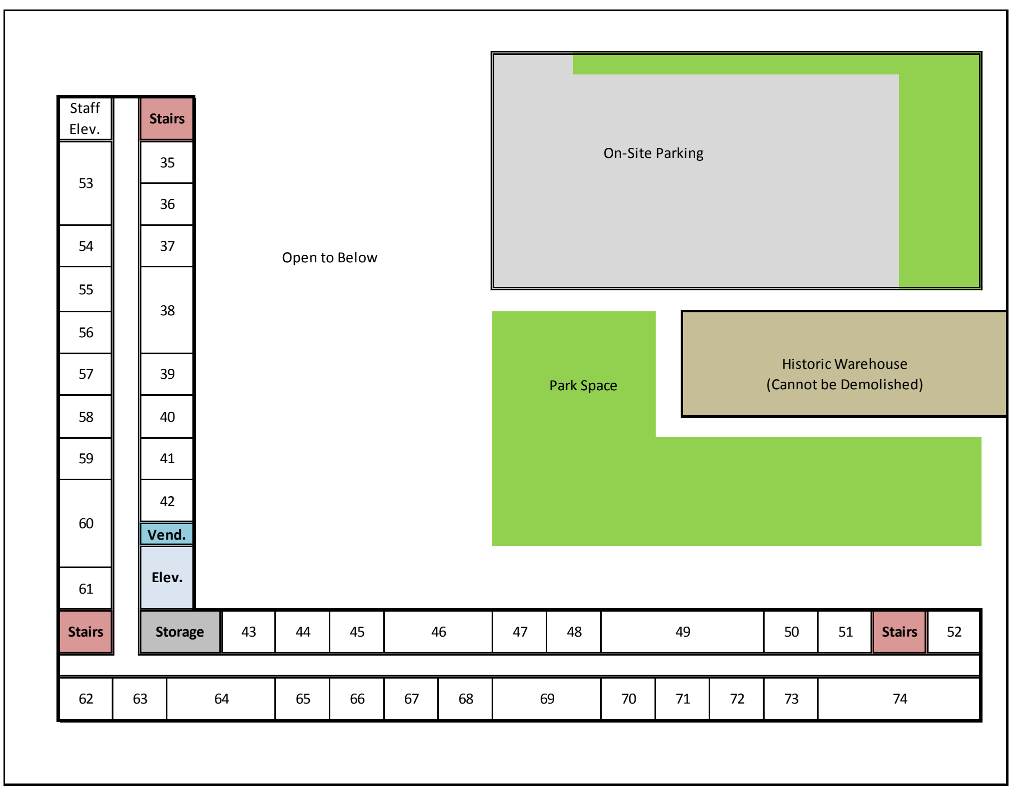
Hotel rooms will feature painted walls and ceilings with high end wall fixtures and recessed lighting.



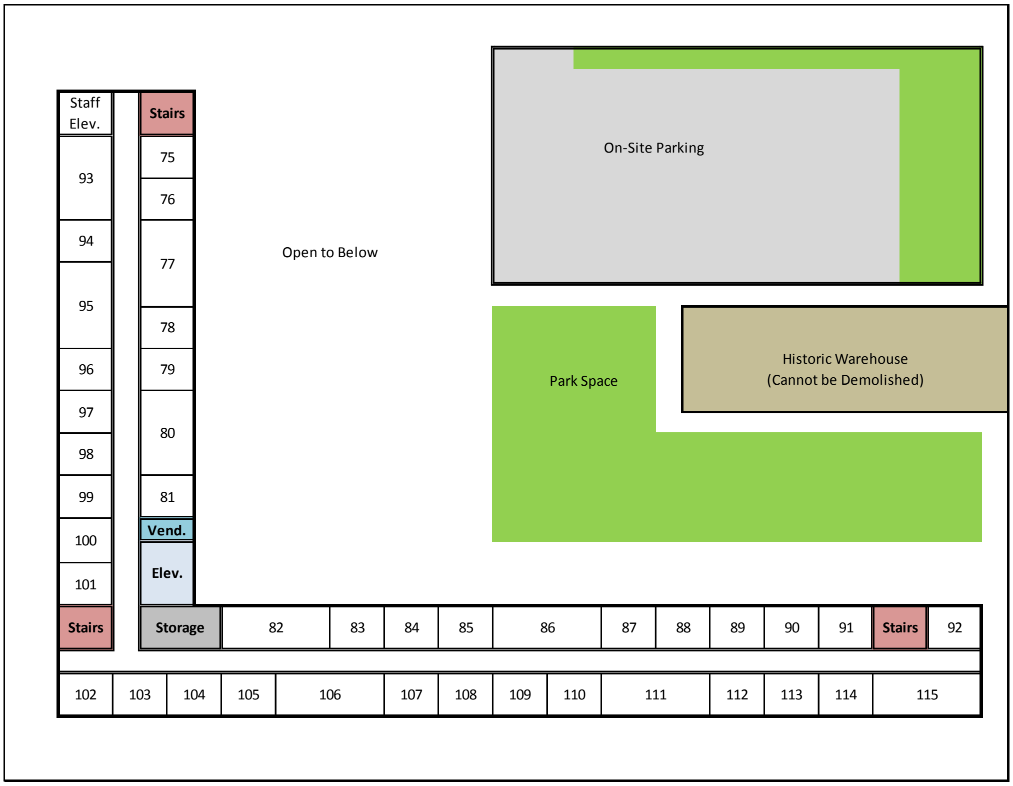
1st Floor Layout



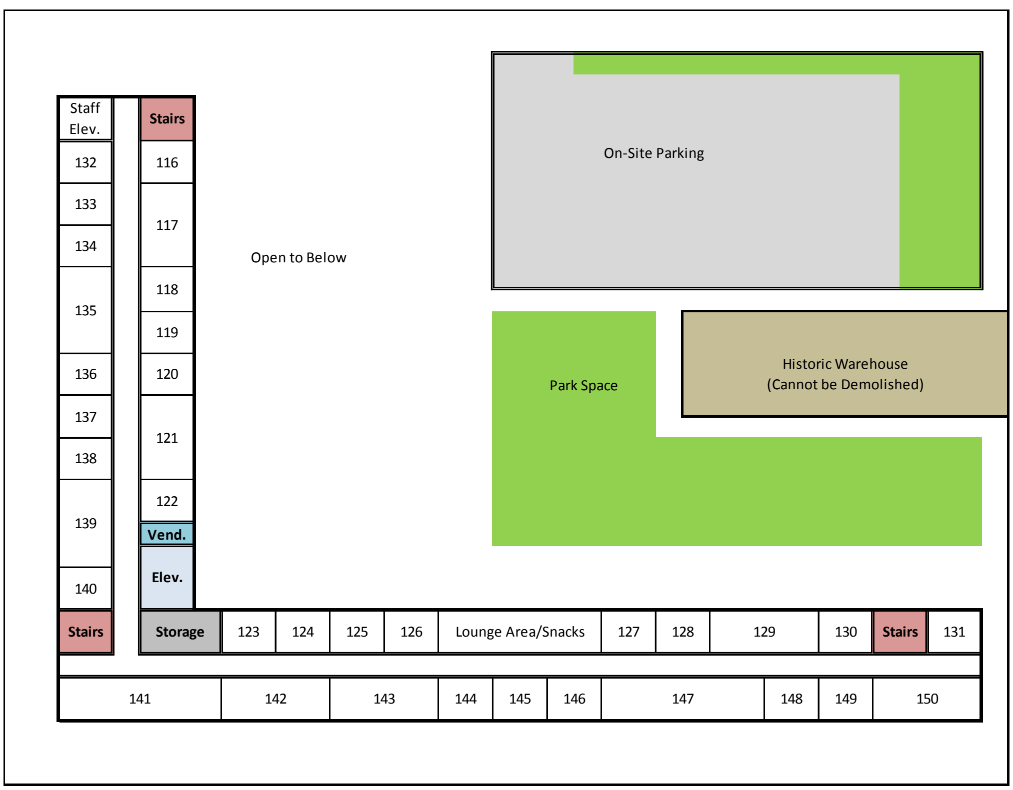
2nd Floor Layout



3rd Floor Layout



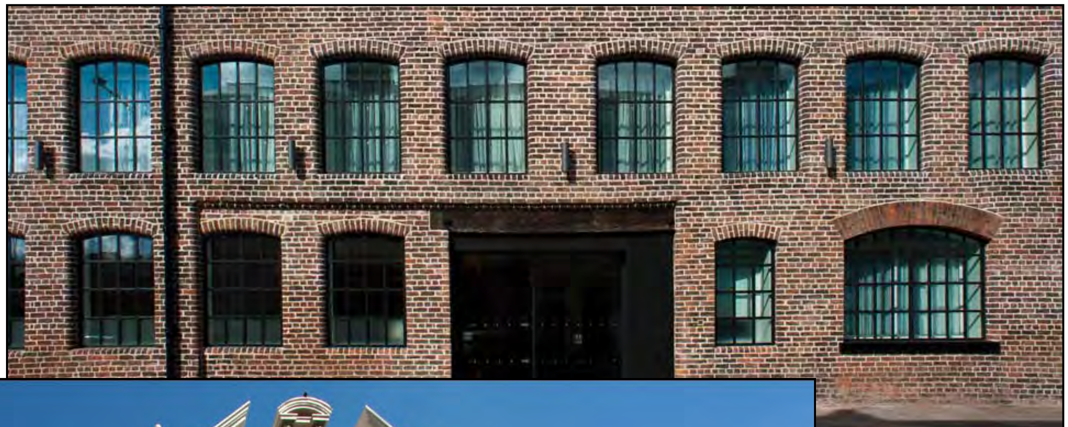
4th Floor Layout

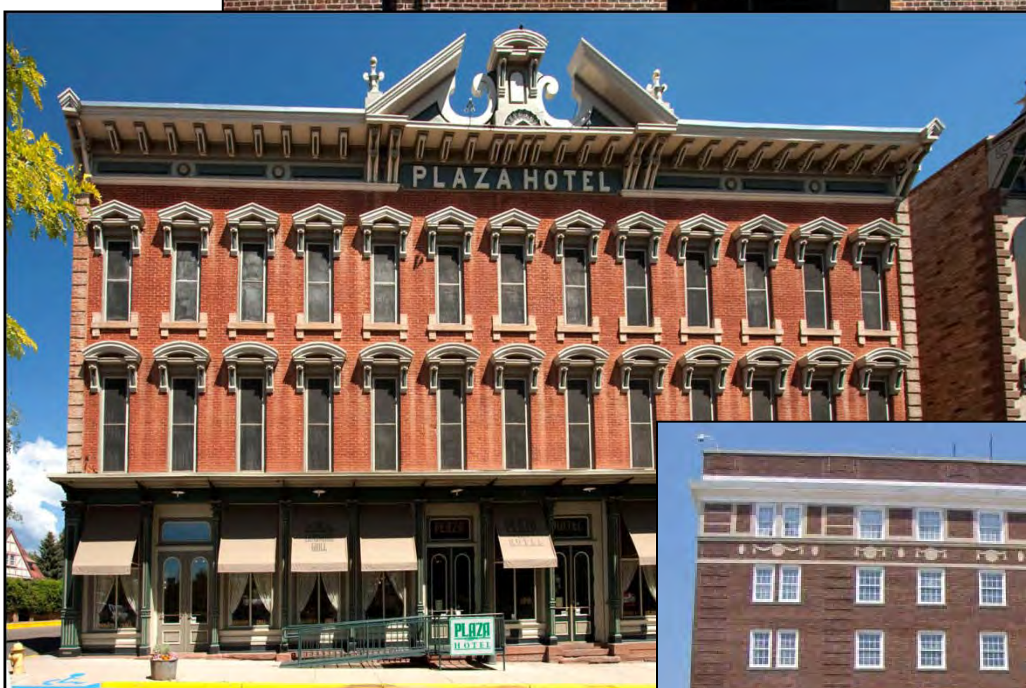


5th Floor Layout

On April 18, 2009 the City Council unanimously voted to adopt the proposed Green Building Policy. Per this Policy, the City expects that all new development requiring a Development Site Plan or Development Special Use Permit will achieve a LEED Silver or an equivalent rating for non-residential development and LEED Certified or an equivalent rating for residential development.

Some sample pictures below show potential exterior designs for the hotel to be developed in the Old & Historic district of Old Town.





The following is an estimate to develop a boutique hotel in Washington, DC. The figures were derived from FPG Development, based on various Hilton brand hotels (exhibit C). The development cost does not include the potential extra site work, the below grade parking structure costs or land acquisition. Below grade parking has been estimated at $30,000 per space, but could increase if the cost of the slurry wall is included. For purposes of this project I am going to use $35,000 per underground space. I have estimated the potential extra site work to secure the foundation at $750,000. The underground parking cost and extra site would work would be the same amount if an office was to be built.

	Robinson Terminal		
Number of Keys		150	
Number of Floors		5	
Gross Building Area		172,800	
Gross Building Area/Key		1,152	
Structural System		Wood Frame	
Land Required - Acres		3.76	
Land Required - SF		163,696	
Input			
Land Cost PSF		$13.00	
Construction Cost PSF		$123.00	
Development Cost Model	**Item**	**Cost/Key**	**Cost/SF**
Land	$2,128,048	$14,187	$13.00
Design & Engineering	$477,533	$3,184	$2.76
			$0.00
Permits, Licenses & Fees	$486,088	$3,241	$2.81
Total Construction	$21,254,400	$141,696	$123.00
Total FF&E	$4,839,281	$32,262	$28.01
Exterior Signs	$60,000	$400	$0.35
Inventories	$60,000	$400	$0.35
Pre-Opening	$220,000	$1,467	$1.27
Project Management	$150,000	$1,000	$0.87
Insurance	$60,000	$400	$0.35
Financial, Taxes & Legal	$80,000	$533	$0.46
Project-Wide Contingency (10%)	$2,125,440	$14,170	$12.30
Total Development Costs	**$31,940,790**	**$212,939**	**$184.84**

Based on the total development cost of $31,940,790 and a Year 1 NOI the yield to cost is 7.0%. If I include the additional $750,000 for piling and underground parking for 254 spaces at $35,000 my total development cost is $41,574,123, with a yield to cost of 5.41%. This does not include the price to acquire the land.

VII. FINANCIAL ANALYSIS AND UNDERWRITING

The Small Area Plan is not expected to be ratified for another two years and the Robinson Terminal South Development is a long term goal. For the purposes of this development, I am going to say that the Plan has been approved as of January 1, 2012. This would allow construction to start in 6-8 months after the development plans have been approved for the site and 24 months to build the project. The project would be delivering early 2015. As indicated by the hotel comparable set, hotel occupancy climbs rapidly the first three years in this area and then levels off. I have indicated stabilization in year four for the hotel and year three for an office development.

The initial phase for development is the land acquisition. The purchase price is estimated to be $19,640,000 (following page). The purchase price represents $60.00 for the existing by-right development, at a 2.0 FAR, of 327,392 square feet. The land acquisition would be funded by a 60% LTV bank loan with interest only finance at 5.0%.

The hotel construction will be financed with a construction loan provided at 50% LTC, 300-400 over LIBOR. The construction loan will be paid off at stabilization, if a higher end hotel; this could be a longer period. The permanent loan would be 70% LTV, 300-400 over treasuries, roughly 5.0%, and be a 5-10 year term. Hotel financing is very difficult to find as many lenders do not have an appetite for this asset class. Given the location in Old Town, new construction and projected stability by year four, there will be options for a permanent loan. Based on year four stabilization and a 7.5% capitalization rate we obtain a value of $47,767,538. The hotel capitalization rate was estimated based on discussions with David Fuller with HVS, who specializes in hotel valuation.

The office construction financing would be similar to the hotel, but 60%-65% LTC and 250-200 over LIBOR. Both construction loans would be full recourse. The office financing could be favorable with a significant amount of pre-leasing and as always a strong sponsor with high liquidity, or institutionalized. The strongest deterrent for the office market is the large vacancy, and the location not being within walking distance to the Metro. Based on sales of suburban offices, provided by IRR, I will be using a capitalization rate of 7.0% for the office.

Recently, the Washington, D.C. office of Northmarq Capital, a national mortgage brokerage firm, secured permanent financing in Alexandria of $20,000,000, at 4.87% over a 10-year term with 25-year amortization. The property is a Class A office building, 100% leased, located at the intersection of King Street and Route 1.

As indicated in my market analysis I will use $35.00 $/psf rental rate for my office space, $40.00 for tenant improvements and 6.0% for leasing commissions. My expenses for year one are $11.65 psf, giving me a net operating income of $2,042,239 (exhibit A). I have projected year three for stabilization and when I use a 7.0% capitalization rate my value is $48,555,300. However, once I include debt service and replacement reserves, my cash flow is a negative $1,421,815; this does not include any equity distributions that would be required. The income from the property is not substantial enough to make this a viable project. Office is not the preferred use for this site based on the analysis. I staggered an aggressive lease up schedule throughout 2015 and into early 2016, but with an 18% market vacancy that could be challenging.

The hotel development poses the same issues as the office. Not enough income is generated for the project to be realistic (exhibit B). A significant amount of equity would need to be contributed to cover the land, purchase and development costs to carry the deal for a long hold for it to have any chance at being successful.

Land Valuation

No.	Name / Address	Sale Date	Sale Price	Land SF	Land Acres	Potential GSF Bldg. SF	F.A.R.	$/SF FAR	$/SF Land	$/Acre
(1)	Colony House 1700 Lee Hwy Arlington, VA	Mar-11	$5,600,000	52,272	1.20	78,408	1.50	$71.42	$107.13	$4,666,667
(2)	The Madison 800 N. Henry St Alexandria, VA	Sep-10	$14,800,000	112,820	2.59	282,051	2.50	$52.47	$131.18	$5,714,286
(3)	1200 N Rolfe St Arlington, VA	Jun-10	$6,216,000	58,806	1.35	71,743	1.22	$86.64	$105.70	$4,604,444
(4)	3901 N. Fairfax Drive Arlington, VA	Jun-10	$12,250,000	45,738	1.05	150,021	3.28	$81.66	$267.83	$11,666,667
(5)	1776 Wilson Blvd Arlington, VA	May-10	$10,000,000	45,738	1.05	141,788	3.10	$70.53	$218.64	$9,523,810
(6)	2207 N. Pershing Dr. Arlington, VA	May-10	$12,000,000	125,077	2.87	248,903	1.99	$48.21	$95.94	$4,179,186
Subject:	Robinson Terminal South			163,696	3.76	327,392	2.00			

Land Sale 1 – JBG purchased the Colony House site in March 2011 for $5,600,000. They plan to develop the site in the future but no plans have been submitted. Currently, the maximum development potential of the site is 78,408 SF.

Land Sale 2 – Equity Residential purchased the land in September 2010 for $14,800,000. The project stalled in 2008 when the economy plummeted, but Equity has revived and razed the site in September 2011. The development will be spread across two five and seven story buildings containing 360 apartment units, nearly 9,700 SF of ground floor retail and 45,280 SF of open space, public plaza, courtyard and rooftop pool - designed by SK&I.

Land Sale 3 – Insight Property Group purchased the site for $6,126,000 in June 2010. They plan to demolish the existing apartment buildings and re-develop the site with a 67-unit by-right apartment or condominium community. Initial delivery is scheduled for summer 2012.

Land Sale 4 – The office land was purchased in June 2010 for $12,250,000. The site was originally used as a funeral home and with the assemblage of neighboring parcels with be developed into a 200,000 SF class A office building.

Land Sale 5 – Skanska purchased the site in May 2010 for $10,000,000. They are currently constructing a LEED Platinum class A office property with 134,000 rentable square feet. They plan to deliver the third quarter of 2012.

Land Sale 6 – The 2.87 acre site was purchased in March 2010 for $12,000,000. Plans for the redevelopment include apartment units and retail.

<u>Reconciliation of Value</u>

The sales reflect a range of $48.21 - $86.64 $/FAR. The average of the range of comparables is $68.49 and the mean is $70.97. I believe my site is valued at $60.00 $/FAR. Based on the preceding analysis, my conclusion as to an estimate of land value is:

	$/FAR
Median	$68.49
Mean	$70.97
Indicated Value $/FAR	$60.00
Rounded	**$19,640,000**

**The potential gross square feet for Robinson Terminal South is based on the current zoning with an FAR of 2.0. If the proposed Small Area Plan is approved the site density could increase to a 2.32 FAR allowing a total of 380,529 gross square feet. For the purposes of this redevelopment I am assuming the increased FAR has not been approved.*

***EYA purchased 601 N. Fairfax, Alexandria, VA in October 2011 for $21,000,000. They plan to convert the existing office building into residential condominiums. This property has been excluded from my land valuation based on the fact that the property will be renovated and not demolished like the other comparables. Because of the renovation it is not a true land sale.*

Hotel Development

Keys	150		Total	Per Key
Total Project Cost (w/ Land)			$61,220,790	$408,139
Construction Loan		60.0%	$36,732,474	$244,883
Equity Required		40.0%	$24,488,316	$163,255
Stabilized ADR				$200.20
Stabilized Occupancy/RevPar			75.0%	$150.15
Stabilized NOI			$3,582,565	$23,884
Implied Cap. Rate at Stabilization			5.85%	
Asset Sale Capitilization Rate			7.50%	
Future Gross Capitalized Value			$47,767,538	$318,450
Selling Costs		3.50%	$1,671,864	$11,146
Net Sale Proceeds			$46,095,674	$307,304
Pre-Tax Profit Margin (excludes interim year cash flows)			($15,125,116)	($100,834)
Pre-Tax Profit Margin % (excludes interim year cash flows)			-24.71%	
Multiple on Invested Equity			(0.62) x	

Office Development

Rentable Office SF	133,000	Total	$/RSF
Total Project Cost (w/ Land)		$54,118,089	$406.90
Construction Loan	65.0%	$35,176,758	$264.49
Equity Required	35.0%	$18,941,331	$142.42
NOI - Year 1		$2,042,239	$15.36
NOI Yield on Cost (Year 1)		3.77%	
Year 3 Stabilized NOI		$3,398,871	$25.56
NOI Yield on Cost (Year 3)		6.28%	
Asset Sale Capitalization Rate		7.00%	
NOI - Year 10		$4,289,460	$32.25
Capitalized Value		$61,278,000	$460.74
Selling Costs	3.5%	$2,144,730	$16.13
Net Sale Proceeds		$59,133,270	$444.61
Pre-Tax Profit on Sale		$5,015,181	$37.71
Pre-Tax Profit Margin		9.27%	
Multiple on Invested Equity		0.09 x	

VII. CONCLUSION AND RECOMMENDATIONS

Robinson Terminal South is prime real estate and could eventually be a grand destination development in Old Town. The potential development comes with significant risk. I have estimated the site expenses for worst case scenario, extra piles to support the foundation and $35,000 for underground parking, but I feel this is the best way to determine if either use could be feasible. As show in my analysis the hotel would currently offer no return to investors and the office is similar. Another obstacle would be the entitlements process. The City of Alexandria has extremely strict design guidelines and stringent zoning, these and other factors could lead to substantial proffers from the developer. This project is dependent on the land acquisition, density upon approval of the Small Area Plan, the market rent and seven to mid-seven capitalization rates for the project. The land acquisition price could make this deal substantially more attractive if lower, or if the max density could be achievable. At this time it is not recommended for hotel development on site. The office use is slightly more desirable with ground floor retail. It is suggested that as of this time neither use should proceed without more due diligence and a greater consideration for office or a mixed use project with multi-family in addition to the retail and office uses.

1. CoStar Group
2. Bureau of Labor Statistics
3. REIS Asset Advisor
4. Smith Travel Research
5. Hotel Horizons
6. City of Alexandria Waterfront Small Area Plan
7. City of Alexandria Zoning Ordinance
8. City of Alexandria Appraiser Office
9. Donohoe Construction
10. Clark Construction
11. Edgemoor Infrastructure & Real Estate
12. HVS Valuation Services
13. Northmarq Capital
14. FPG Development Corp.
15. Groupe Development
16. Washington Business Journal
17. Integra Realty Resources
18. CBRE
19. Millennium Real Estate Advisors
20. Holland and Knight

EXHIBIT A

Number of Rooms	150	150	150	150	150
Occupancy	62.0%	64.0%	70.0%	75.0%	76.0%
Average Daily Rate	$185.00	$189.63	$194.37	$200.20	$206.20
RevPar	$114.70	$121.36	$136.06	$150.15	$156.71
Days Open	365	365	365	365	365
Avaliable Rooms	54,750	54,750	54,750	54,750	54,750
Occupied Rooms	33,945	35,040	38,325	41,063	41,610

	Calender Year 1			
	Amount	Ratio	PAR	POR
REVENUE				
Rooms	$6,279,825	52.8%	$41,866	$185.00
Other Operated Departments	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$4,521,474	72.0%	$30,143	$133.20
Other Income	$538,207	4.5%	$3,588	$15.86
Total Revenues	$11,891,813	100.0%	$79,279	$350.33
DEPARTMENTAL EXPENSES				
Rooms	$1,412,961	22.5%	$9,420	$41.63
Food & Beverage	$3,273,547	72.4%	$21,824	$96.44
Other Operated Departments	$138,077	25.0%	$921	$4.07
Other Expenses	$161,462	30.0%	$1,076	$4.76
Total	$4,986,047	41.9%	$33,240	$146.89
DEPARTMENTAL INCOME	$6,905,766	58.1%	$46,038	$203.44
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$1,189,181	10.0%	$7,928	$35.03
Marketing	$475,673	4.0%	$3,171	$14.01
Franchise Fee	$713,509	6.0%	$4,757	$21.02
Prop. Operations & Maint.	$404,322	3.4%	$2,695	$11.91
Utilities	$463,781	3.9%	$3,092	$13.66
Total	$3,246,465	27.3%	$21,643	$95.64
HOUSE PROFIT	$3,659,301	30.8%	$24,395	$107.80
Management Fee	$356,754	3.0%	$2,378	$10.51
Income Before Fixed Charges	$3,302,547	27.8%	$22,017	$97.29
FIXED EXPENSES				
Property Taxes	$635,998	5.3%	$4,240	$18.74
Insurance	$178,377	1.5%	$1,189	$5.25
Reserve for Replacement	$237,836	2.0%	$1,586	$7.01
Total	$1,052,211	8.8%	$7,015	$31.00
NET OPERATING INCOME	**$2,250,336**	**18.9%**	**$15,002**	**$66.29**
Debt Service	$1,063,963		$7,093	$31.34
Cash Flow After Debt Service	$1,186,373		$7,909	$34.95

	Calender Year 2			
	Amount	Ratio	PAR	POR
REVENUE				
Rooms	$6,644,460	55.9%	$44,296	$195.74
Other Operated Departments	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$5,016,567	75.5%	$33,444	$143.17
Other Income	$538,207	4.5%	$3,588	$15.86
Total Revenues	$12,751,541	107.2%	$85,010	$375.65
DEPARTMENTAL EXPENSES				
Rooms	$1,495,004	22.5%	$9,967	$44.04
Food & Beverage	$3,662,094	73.0%	$24,414	$107.88
Other Operated Departments	$129,792	23.5%	$865	$3.82
Other Expenses	$161,462	30.0%	$1,076	$4.76
Total	$5,448,352	42.7%	$36,322	$160.51
DEPARTMENTAL INCOME	$7,303,189	57.3%	$48,688	$215.15
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$1,189,181	10.0%	$7,928	$35.03
Marketing	$510,062	4.0%	$3,400	$15.03
Franchise Fee	$765,092	6.0%	$5,101	$22.54
Prop. Operations & Maint.	$404,322	3.4%	$2,695	$11.91
Utilities	$477,694	3.9%	$3,185	$14.07
Total	$3,346,351	26.2%	$22,309	$98.58
HOUSE PROFIT	$3,956,838	31.0%	$26,379	$116.57
Management Fee	$382,546	3.0%	$2,550	$11.27
Income Before Fixed Charges	$3,574,292	28.0%	$23,829	$105.30
FIXED EXPENSES				
Property Taxes	$655,078	5.1%	$4,367	$19.30
Insurance	$183,729	1.5%	$1,225	$5.41
Reserve for Replacement	$255,031	2.0%	$1,700	$7.51
Total	$1,093,837	8.6%	$7,292	$32.22
NET OPERATING INCOME	**$2,480,455**	**19.5%**	**$16,536**	**$73.07**
Debt Service	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($1,775,395)		($11,836)	($52.30)

	Calender Year 3			
	Amount	Ratio	PAR	POR
REVENUE				
Rooms	$7,449,063	62.6%	$49,660	$219.45
Other Operated Departments	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$5,773,023	77.5%	$38,487	$150.63
Other Income	$538,207	4.5%	$3,588	$15.86
Total Revenues	$14,312,600	120.4%	$95,417	$421.64
DEPARTMENTAL EXPENSES				
Rooms	$1,676,039	22.5%	$11,174	$49.38
Food & Beverage	$4,272,037	74.0%	$28,480	$125.85
Other Operated Departments	$121,508	22.0%	$810	$3.58
Other Expenses	$161,462	30.0%	$1,076	$4.76
Total	$6,231,046	43.5%	$41,540	$183.56
DEPARTMENTAL INCOME	$8,081,554	56.5%	$53,877	$238.08
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$1,189,181	10.0%	$7,928	$35.03
Marketing	$572,504	4.0%	$3,817	$16.87
Franchise Fee	$858,756	6.0%	$5,725	$25.30
Prop. Operations & Maint.	$404,322	3.4%	$2,695	$11.91
Utilities	$492,025	3.9%	$3,280	$14.49
Total	$3,516,788	24.6%	$23,445	$103.60
HOUSE PROFIT	$4,564,766	31.9%	$30,432	$134.48
Management Fee	$429,378	3.0%	$2,863	$12.65
Income Before Fixed Charges	$4,135,388	28.9%	$27,569	$121.83
FIXED EXPENSES				
Property Taxes	$674,730	4.7%	$4,498	$19.88
Insurance	$189,240	1.5%	$1,262	$5.57
Reserve for Replacement	$429,378	3.0%	$2,863	$12.65
Total	$1,293,348	9.0%	$8,622	$38.10
NET OPERATING INCOME	**$2,842,040**	**19.9%**	**$18,947**	**$83.72**
Debt Service	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($1,413,811)		($9,425)	($41.65)

	Calender Year 4			
	Amount	Ratio	PAR	POR
REVENUE				
Rooms	$8,220,573	69.1%	$54,804	$242.17
Other Operated Departments	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$6,699,767	81.5%	$44,665	$163.16
Other Income	$538,207	4.5%	$3,588	$15.86
Total Revenues	$16,010,853	134.6%	$106,739	$471.67
DEPARTMENTAL EXPENSES				
Rooms	$1,849,629	22.5%	$12,331	$54.49
Food & Beverage	$4,957,827	74.0%	$33,052	$146.05
Other Operated Departments	$121,508	22.0%	$810	$3.58
Other Expenses	$161,462	30.0%	$1,076	$4.76
Total	$7,090,426	44.3%	$47,270	$208.88
DEPARTMENTAL INCOME	$8,920,427	55.7%	$59,470	$262.79
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$951,345	8.0%	$6,342	$28.03
Marketing	$480,326	3.0%	$3,202	$14.15
Franchise Fee	$960,651	6.0%	$6,404	$28.30
Prop. Operations & Maint.	$428,105	3.6%	$2,854	$12.61
Utilities	$506,786	3.9%	$3,379	$14.93
Total	$3,327,213	20.8%	$22,181	$98.02
HOUSE PROFIT	$5,593,215	34.9%	$37,288	$164.77
Management Fee	$480,326	3.0%	$3,202	$14.15
Income Before Fixed Charges	$5,112,889	31.9%	$34,086	$150.62
FIXED EXPENSES				
Property Taxes	$694,972	4.3%	$4,633	$20.47
Insurance	$194,918	1.5%	$1,299	$5.74
Reserve for Replacement	$640,434	4.0%	$4,270	$18.87
Total	$1,530,324	9.6%	$10,202	$45.08
NET OPERATING INCOME	**$3,582,565**	**22.4%**	**$23,884**	**$105.54**
Debt Service	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($673,285)		($4,489)	($19.83)

	Calender Year 5			
	Amount	Ratio	PAR	POR
REVENUE				
Rooms	$8,580,086	72.2%	$57,201	$252.76
Other Operated Departments	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$7,164,372	83.5%	$47,762	$172.18
Other Income	$538,207	4.5%	$3,588	$15.86
Total Revenues	$16,834,971	141.6%	$112,233	$495.95
DEPARTMENTAL EXPENSES				
Rooms	$1,930,519	22.5%	$12,870	$56.87
Food & Beverage	$5,373,279	75.0%	$35,822	$158.29
Other Operated Departments	$121,508	22.0%	$810	$3.58
Other Expenses	$161,462	30.0%	$1,076	$4.76
Total	$7,586,768	45.1%	$50,578	$223.50
DEPARTMENTAL INCOME	$9,248,204	54.9%	$61,655	$272.45
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$951,345	8.0%	$6,342	$28.03
Marketing	$505,049	3.0%	$3,367	$14.88
Franchise Fee	$1,178,448	7.0%	$7,856	$34.72
Prop. Operations & Maint.	$439,997	3.7%	$2,933	$12.96
Utilities	$521,989	3.9%	$3,480	$15.38
Total	$3,596,829	21.4%	$23,979	$105.96
HOUSE PROFIT	$5,651,375	33.6%	$37,676	$166.49
Management Fee	$505,049	3.0%	$3,367	$14.88
Income Before Fixed Charges	$5,146,326	30.6%	$34,309	$151.61
FIXED EXPENSES				
Property Taxes	$715,821	4.3%	$4,772	$21.09
Insurance	$200,765	1.5%	$1,338	$5.91
Reserve for Replacement	$673,399	4.0%	$4,489	$19.84
Total	$1,589,985	9.4%	$10,600	$46.84
NET OPERATING INCOME	**$3,556,341**	**21.1%**	**$23,709**	**$104.77**
Debt Service	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($699,510)		($4,663)	($20.61)

Number of Rooms	150	150	150	150	150	150
Occupancy	77.0%	78.0%	78.0%	78.0%	78.0%	78.0%
Average Daily Rate	$212.39	$218.76	$225.32	$232.08	$239.05	$246.22
RevPar	$163.54	$170.63	$175.75	$181.02	$186.46	$192.05
Days Open	365	365	365	365	365	365
Avaliable Rooms	54,750	54,750	54,750	54,750	54,750	54,750
Occupied Rooms	42,158	42,705	42,705	42,705	42,705	42,705

	Calender Year 6				Calender Year 7			
	Amount	Ratio	PAR	POR	Amount	Ratio	PAR	POR
REVENUE								
Rooms	$8,953,771	75.3%	$59,692	$263.77	$9,342,155	78.6%	$62,281	$275.21
Other Operated Departments	$552,307	4.6%	$3,682	$16.27	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$7,655,474	85.5%	$51,036	$181.59	$8,174,386	87.5%	$54,496	$191.42
Other Income	$538,207	4.5%	$3,588	$15.86	$538,207	4.5%	$3,588	$15.86
Total Revenues	$17,699,759	148.8%	$117,998	$521.42	$18,607,055	156.5%	$124,047	$548.15
DEPARTMENTAL EXPENSES								
Rooms	$2,014,598	22.5%	$13,431	$59.35	$2,101,985	22.5%	$14,013	$61.92
Food & Beverage	$5,741,606	75.0%	$38,277	$169.14	$6,130,789	75.0%	$40,872	$180.61
Other Operated Departments	$121,508	22.0%	$810	$3.58	$121,508	22.0%	$810	$3.58
Other Expenses	$161,462	30.0%	$1,076	$4.76	$161,462	30.0%	$1,076	$4.76
Total	$8,039,174	45.4%	$53,594	$236.83	$8,515,744	45.8%	$56,772	$250.87
DEPARTMENTAL INCOME	$9,660,585	54.6%	$64,404	$284.60	$10,091,311	54.2%	$67,275	$297.28
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	$951,345	8.0%	$6,342	$28.03	$951,345	8.0%	$6,342	$28.03
Marketing	$530,993	3.0%	$3,540	$15.64	$558,212	3.0%	$3,721	$16.44
Franchise Fee	$1,238,983	7.0%	$8,260	$36.50	$1,395,529	7.5%	$9,304	$41.11
Prop. Operations & Maint.	$457,835	3.9%	$3,052	$13.49	$487,564	4.1%	$3,250	$14.36
Utilities	$537,649	3.9%	$3,584	$15.84	$553,778	3.9%	$3,692	$16.31
Total	$3,716,805	21.0%	$24,779	$109.49	$3,946,429	21.2%	$26,310	$116.26
HOUSE PROFIT	$5,943,781	33.6%	$39,625	$175.10	$6,144,883	33.0%	$40,966	$181.02
Management Fee	$530,993	3.0%	$3,540	$15.64	$558,212	3.0%	$3,721	$16.44
Income Before Fixed Charges	$5,412,788	30.6%	$36,085	$159.46	$5,586,671	30.0%	$37,244	$164.58
FIXED EXPENSES								
Property Taxes	$737,296	4.2%	$4,915	$21.72	$759,415	4.1%	$5,063	$22.37
Insurance	$206,788	1.5%	$1,379	$6.09	$212,992	1.5%	$1,420	$6.27
Reserve for Replacement	$707,990	4.0%	$4,720	$20.86	$744,282	4.0%	$4,962	$21.93
Total	$1,652,074	9.3%	$11,014	$48.67	$1,716,689	9.2%	$11,445	$50.57
NET OPERATING INCOME	**$3,760,714**	**21.2%**	**$25,071**	**$110.79**	**$3,869,982**	**20.8%**	**$25,800**	**$114.01**
Debt Service	$4,255,850		$28,372	$125.37	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($495,137)		($3,301)	($14.59)	($385,868)		($2,572)	($11.37)

	Calender Year 8				Calender Year 9			
	Amount	Ratio	PAR	POR	Amount	Ratio	PAR	POR
REVENUE								
Rooms	$9,622,420	80.9%	$64,149	$283.47	$9,911,093	83.3%	$66,074	$291.98
Other Operated Departments	$552,307	4.6%	$3,682	$16.27	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$8,612,066	89.5%	$57,414	$201.66	$9,068,650	91.5%	$60,458	$212.36
Other Income	$538,207	4.5%	$3,588	$15.86	$538,207	4.5%	$3,588	$15.86
Total Revenues	$19,325,000	162.5%	$128,833	$569.30	$20,070,256	168.8%	$133,802	$591.26
DEPARTMENTAL EXPENSES								
Rooms	$2,165,044	22.5%	$14,434	$63.78	$2,229,996	22.5%	$14,867	$65.69
Food & Beverage	$6,459,049	75.0%	$43,060	$190.28	$6,801,487	75.0%	$45,343	$200.37
Other Operated Departments	$121,508	22.0%	$810	$3.58	$121,508	22.0%	$810	$3.58
Other Expenses	$161,462	30.0%	$1,076	$4.76	$161,462	30.0%	$1,076	$4.76
Total	$8,907,064	46.1%	$59,380	$262.40	$9,314,453	46.4%	$62,096	$274.40
DEPARTMENTAL INCOME	$10,417,936	53.9%	$69,453	$306.91	$10,755,804	53.6%	$71,705	$316.86
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	$951,345	8.0%	$6,342	$28.03	$951,345	8.0%	$6,342	$28.03
Marketing	$579,750	3.0%	$3,865	$17.08	$602,108	3.0%	$4,014	$17.74
Franchise Fee	$1,546,000	8.0%	$10,307	$45.54	$1,605,621	8.0%	$10,704	$47.30
Prop. Operations & Maint.	$476,862	4.0%	$3,179	$14.05	$487,564	4.1%	$3,250	$14.36
Utilities	$570,392	3.9%	$3,803	$16.80	$587,504	3.9%	$3,917	$17.31
Total	$4,124,349	21.3%	$27,496	$121.50	$4,234,141	21.1%	$28,228	$124.74
HOUSE PROFIT	$6,293,588	32.6%	$41,957	$185.41	$6,521,662	32.5%	$43,478	$192.12
Management Fee	$579,750	3.0%	$3,865	$17.08	$602,108	3.0%	$4,014	$17.74
Income Before Fixed Charges	$5,713,838	29.6%	$38,092	$168.33	$5,919,555	29.5%	$39,464	$174.39
FIXED EXPENSES								
Property Taxes	$782,197	4.0%	$5,215	$23.04	$805,663	4.0%	$5,371	$23.73
Insurance	$219,381	1.5%	$1,463	$6.46	$225,963	1.5%	$1,506	$6.66
Reserve for Replacement	$773,000	4.0%	$5,153	$22.77	$802,810	4.0%	$5,352	$23.65
Total	$1,774,579	9.2%	$11,831	$52.28	$1,834,436	9.1%	$12,230	$54.04
NET OPERATING INCOME	**$3,939,259**	**20.4%**	**$26,262**	**$116.05**	**$4,085,119**	**20.4%**	**$27,234**	**$120.35**
Debt Service	$4,255,850		$28,372	$125.37	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($316,591)		($2,111)	($9.33)	($170,732)		($1,138)	($5.03)

	Calender Year 10				Calender Year 11			
	Amount	Ratio	PAR	POR	Amount	Ratio	PAR	POR
REVENUE								
Rooms	$10,208,425	85.8%	$68,056	$300.73	$10,514,678	88.4%	$70,098	$309.76
Other Operated Departments	$552,307	4.6%	$3,682	$16.27	$552,307	4.6%	$3,682	$16.27
Food & Beverage	$9,544,878	93.5%	$63,633	$223.51	$10,041,518	95.5%	$66,943	$235.14
Other Income	$538,207	4.5%	$3,588	$15.86	$538,207	4.5%	$3,588	$15.86
Total Revenues	$20,843,817	175.3%	$138,959	$614.05	$21,646,710	182.0%	$144,311	$637.70
DEPARTMENTAL EXPENSES								
Rooms	$2,296,896	22.5%	$15,313	$67.67	$2,365,803	22.5%	$15,772	$69.70
Food & Beverage	$7,158,658	75.0%	$47,724	$210.89	$7,531,138	75.0%	$50,208	$221.86
Other Operated Departments	$121,508	22.0%	$810	$3.58	$121,508	22.0%	$810	$3.58
Other Expenses	$161,462	30.0%	$1,076	$4.76	$161,462	30.0%	$1,076	$4.76
Total	$9,738,524	46.7%	$64,923	$286.89	$10,179,910	47.0%	$67,866	$299.89
DEPARTMENTAL INCOME	$11,105,293	53.3%	$74,035	$327.16	$11,466,799	53.0%	$76,445	$337.81
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	$951,345	8.0%	$6,342	$28.03	$951,345	8.0%	$6,342	$28.03
Marketing	$625,315	3.0%	$4,169	$18.42	$649,401	3.0%	$4,329	$19.13
Franchise Fee	$1,980,163	9.5%	$13,201	$58.33	$2,056,437	9.5%	$13,710	$60.58
Prop. Operations & Maint.	$535,132	4.5%	$3,568	$15.76	$505,402	4.3%	$3,369	$14.89
Utilities	$605,129	3.9%	$4,034	$17.83	$623,282	3.9%	$4,155	$18.36
Total	$4,697,082	22.5%	$31,314	$138.37	$4,785,868	22.1%	$31,906	$140.99
HOUSE PROFIT	$6,408,211	30.7%	$42,721	$188.78	$6,680,931	30.9%	$44,540	$196.82
Management Fee	$625,315	3.0%	$4,169	$18.42	$649,401	3.0%	$4,329	$19.13
Income Before Fixed Charges	$5,782,897	27.7%	$38,553	$170.36	$6,031,530	27.9%	$40,210	$177.69
FIXED EXPENSES								
Property Taxes	$829,833	4.0%	$5,532	$24.45	$854,728	3.9%	$5,698	$25.18
Insurance	$232,742	1.5%	$1,552	$6.86	$239,724	1.5%	$1,598	$7.06
Reserve for Replacement	$833,753	4.0%	$5,558	$24.56	$865,868	4.0%	$5,772	$25.51
Total	$1,896,327	9.1%	$12,642	$55.86	$1,960,320	9.1%	$13,069	$57.75
NET OPERATING INCOME	**$3,886,569**	**18.6%**	**$25,910**	**$114.50**	**$4,071,209**	**18.8%**	**$27,141**	**$119.94**
Debt Service	$4,255,850		$28,372	$125.37	$4,255,850		$28,372	$125.37
Cash Flow After Debt Service	($369,281)		($2,462)	($10.88)	($184,641)		($1,231)	($5.44)

Land Purchase	
Price	$19,640,000
Purchase Debt	$11,784,000
Purchase Equity	$7,856,000

Land Purchase Loan	
Loan Amount	$11,784,000
Loan Rate	5.0%
Annual Payment	$589,200
Monthly Loan Payment	$49,100

Construction Loan	
Construction Cost	$53,358,123
Loan Amount	$26,679,062
Loan Rate	5.0%

Permanent Loan	
Loan To Value	70.0%
Loan Rate	5.0%
Term	10
Amortization	20

Partnership Structure

	Developer	JV Equity Partner
Equity Contribution	22.7%	77.3%
Invested Equity	$7,856,000	$26,679,062
Preferred Return	10.0%	10.0%
Waterfall	50.0%	50.0%

EXHIBIT B

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$3,308,439	$4,529,252	$4,665,129	$4,805,085	$4,949,237	$5,097,714	$5,242,835	$5,400,120	$5,564,115	$5,729,820
Absorption & Turnover Vacancy						(260,353)		(170,389)	(40,642)	
Scheduled Base Rental Revenue	3,308,439	4,529,252	4,665,129	4,805,085	4,949,237	4,837,361	5,242,835	5,229,731	5,523,473	5,729,820
Expense Reimbursement Revenue										
RE Taxes	65,146	83,459	94,571	106,010	117,776	116,298	123,361	120,792	129,313	143,170
Insurance	6,146	7,875	8,924	10,000	11,113	10,975	11,635	11,398	12,199	13,506
Utilities	67,604	86,602	98,144	110,014	122,222	120,686	128,014	125,349	134,192	148,575
R&M	61,458	78,729	89,218	100,008	111,110	109,716	116,379	113,953	121,992	135,068
Cleaning/Janitorial	30,729	39,366	44,610	50,006	55,555	54,859	58,189	56,975	60,998	67,535
Grounds	3,687	4,720	5,353	6,000	6,666	6,583	6,982	6,839	7,320	8,102
Security	6,146	7,875	8,924	10,000	11,113	10,975	11,635	11,398	12,199	13,506
General/Admin.	18,438	23,619	26,769	30,000	33,335	32,918	34,911	34,185	36,598	40,519
Management	23,232	39,434	45,029	50,847	56,895	53,335	59,439	56,244	61,836	69,404
Total Reimbursement Revenue	282,586	371,679	421,542	472,885	525,785	516,345	550,545	537,133	576,647	639,385
Effective Gross Revenue	**3,591,025**	**4,900,931**	**5,086,671**	**5,277,970**	**5,475,022**	**5,353,706**	**5,793,380**	**5,766,864**	**6,100,120**	**6,369,205**
Operating Expenses										
RE Taxes	352,450	363,023	373,914	385,132	396,686	408,586	420,844	433,469	446,473	459,867
Insurance	33,250	34,247	35,275	36,333	37,423	38,546	39,702	40,893	42,120	43,384
Utilities	365,750	376,722	388,024	399,665	411,655	424,004	436,725	449,826	463,321	477,221
R&M	332,500	342,475	352,749	363,332	374,232	385,459	397,022	408,933	421,201	433,837
Cleaning/Janitorial	166,250	171,238	176,375	181,666	187,116	192,729	198,511	204,467	210,601	216,919
Grounds	19,950	20,548	21,165	21,800	22,454	23,128	23,821	24,536	25,272	26,030
Security	33,250	34,247	35,275	36,333	37,423	38,546	39,702	40,893	42,120	43,384
General/Admin.	99,750	102,743	105,825	109,000	112,270	115,638	119,107	122,680	126,360	130,151
Management	125,686	171,533	178,033	184,729	191,626	187,380	202,768	201,840	213,504	222,922
Non-Reimb/Other	19,950	20,548	21,165	21,800	22,454	23,128	23,821	24,536	25,272	26,030
Total Operating Expenses	**1,548,786**	**1,637,324**	**1,687,800**	**1,739,790**	**1,793,339**	**1,837,144**	**1,902,023**	**1,952,073**	**2,016,244**	**2,079,745**
Net Operating Income	**2,042,239**	**3,263,607**	**3,398,871**	**3,538,180**	**3,681,683**	**3,516,562**	**3,891,357**	**3,814,791**	**4,083,876**	**4,289,460**
Debt Service										
Interest Payments	544,672	1,546,975	1,411,231	1,268,543	1,118,554	960,891	795,162	620,955	437,834	245,344
Principal Payments	855,392	2,653,219	2,788,963	2,931,652	3,081,640	3,239,303	3,405,032	3,579,240	3,762,361	3,954,850
Participation on Cash Flow			599,327	2,476,726	2,577,178	2,461,593	2,723,950	2,670,354	2,858,713	3,002,622
Total Debt Service	1,400,064	4,200,194	4,799,521	6,676,921	6,777,372	6,661,787	6,924,144	6,870,549	7,058,908	7,202,816
Leasing & Capital Costs										
Tenant Improvements	5,250,000	220,000				948,430		620,702	148,054	
Leasing Commissions	2,227,485	88,501				671,549		439,496	104,831	
Replacement Reserves	19,950	20,548	21,165	21,800	22,454	23,128	23,821	24,536	25,272	26,030
Total Leasing & Capital Costs	7,497,435	329,049	21,165	21,800	22,454	1,643,107	23,821	1,084,734	278,157	26,030
Cash Flow After Debt Service	($6,855,260)	($1,265,636)	($1,421,815)	($3,160,541)	($3,118,143)	($4,788,332)	($3,056,608)	($4,140,492)	($3,253,189)	($2,939,386)

EXHIBIT C

Turn Key Cost/Square Footage Comparisons

November, 2010

PROTOTYPE DESIGN SUMMARY	Home2 Suites by Hilton	Hampton Inn (Center Loaded Lobby)	Hampton Inn & Suites (Center Loaded Lobby)	Hilton Garden Inn	Homewood Suites	Embassy Suites
PROTOTYPE VERSION	1.2	6.0	4.0	7.0	8.0	Global Prototype 1.0
DATE	April, 2010	September, 2009	September, 2009 Addendum 2 - November, 2009	April 1, 2010	May 1, 2005	September, 2010
D&C STANDARDS VERSION	2010 Edition	2010 Edition	2010 Edition	2010 Edition	2010 Edition	2010 Edition
DATE	8/1/2010	8/1/2010	8/1/2010	8/1/2010	8/1/2010	7/1/2010
NUMBER OF KEYS	108	80	101	136	123	168
NUMBER OF FLOORS	4	4	4	5	4	7
GROSS BUILDING AREA	56,630	47,489	60,845	85,282	88,642	145,902
GROSS BUILDING AREA/KEY	524.4	593.6	602.4	627.1	720.7	868.5
STRUCTURAL SYSTEM	Wood Frame	CMU & Precast Plank	CMU & Precast Plank	CMU & Precast Plank	Wood Frame	Concrete Frame
LAND REQUIRED - ACRES	1.97	1.59	2.11	3.57	2.92	3.10
LAND REQUIRED - SQ. FT.	86,940	69,295	91,939	155,470	127,774	135,000
NUMBER OF PARKING SPACES	109	82	101	205	123	189
INPUT						
Land Cost per Sq. Ft.	$9.00	$9.00	$11.00	$11.00	$11.00	$13.00
Construction Cost per Sq. Ft.	$90.00	$95.00	$100.00	$110.00	$95.00	$123.00

DEVELOPMENT COST MODEL	Item	Cost/Key	Cost/SF	Item	Cost/Key	Cost/SF	Item	Cost/Key	Cost/SF	Item	Cost/Key	Cost/SF	Item	Cost/Key	Cost/SF	Item	Cost/Key	Cost/SF
LAND	$782,460	$7,245	$9.00	$623,655	$7,796	$9.00	$1,011,329	$10,013	$11.00	$1,710,170	$12,575	$11.00	$1,405,514	$11,427	$11.00	$1,755,000	$10,446	$13.00
DESIGN & ENGINEERING	$200,000	$1,852	$3.53	$190,000	$2,375	$4.00	$225,000	$2,228	$3.70	$275,000	$2,022	$3.22	$250,000	$2,033	$2.82	$403,200	$2,400	$2.76
PERMITS, LICENSES & FEES	$108,000	$1,000	$1.91	$96,000	$1,200	$2.02	$141,400	$1,400	$2.32	$217,600	$1,600	$2.55	$172,200	$1,400	$1.94	$410,424	$2,443	$2.81
CONSTRUCTION																		
1 General Conditions, Fee & OH	$305,802	$2,832	$5.40	$315,802	$3,948	$6.65	$365,070	$3,615	$6.00	$469,051	$3,449	$5.50	$505,259	$4,108	$5.70	$1,507,459	$8,973	$10.33
2 Site Construction	$407,736	$3,775	$7.20	$406,031	$5,075	$8.55	$486,760	$4,819	$8.00	$844,292	$6,208	$9.90	$673,679	$5,477	$7.60	$1,076,757	$6,409	$7.38
3 Concrete	$356,769	$3,303	$6.30	$721,833	$9,023	$15.20	$973,520	$9,639	$16.00	$1,219,533	$8,967	$14.30	$589,469	$4,792	$6.65	$2,871,351	$17,091	$19.68
4 Masonry	$101,934	$944	$1.80	$270,687	$3,384	$5.70	$304,225	$3,012	$5.00	$656,671	$4,828	$7.70	$168,420	$1,369	$1.90	$897,297	$5,341	$6.15
5 Metals	$50,967	$472	$0.90	$45,115	$564	$0.95	$182,535	$1,807	$3.00	$281,431	$2,069	$3.30	$84,210	$685	$0.95	$53,838	$320	$0.37
6 Wood & Plastics	$713,538	$6,607	$12.60	$135,344	$1,692	$2.85	$182,535	$1,807	$3.00	$469,051	$3,449	$5.50	$1,178,939	$9,585	$13.30	$897,297	$5,341	$6.15
7 Thermal & Moisture	$356,769	$3,303	$6.30	$270,687	$3,384	$5.70	$425,915	$4,217	$7.00	$562,861	$4,139	$6.60	$589,469	$4,792	$6.65	$1,615,135	$9,614	$11.07
8 Doors & Windows	$356,769	$3,303	$6.30	$315,802	$3,948	$6.65	$425,915	$4,217	$7.00	$750,482	$5,518	$8.80	$589,469	$4,792	$6.65	$807,568	$4,807	$5.54
9 Finishes	$713,538	$6,607	$12.60	$631,604	$7,895	$13.30	$912,675	$9,036	$15.00	$1,313,343	$9,657	$15.40	$1,178,939	$9,585	$13.30	$2,054,811	$12,231	$14.08
10 Specialties	$50,967	$472	$0.90	$45,115	$564	$0.95	$121,690	$1,205	$2.00	$93,810	$690	$1.10	$84,210	$685	$0.95	$179,459	$1,068	$1.23
11 Equipment (Hotel Kitchen)	$101,934	$944	$1.80	$90,229	$1,128	$1.90	$121,690	$1,205	$2.00	$187,620	$1,380	$2.20	$168,420	$1,369	$1.90	$358,919	$2,136	$2.46
12 Furnishings	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00
13 Special Construction	$50,967	$472	$0.90	$45,115	$564	$0.95	$60,845	$602	$1.00	$93,810	$690	$1.10	$84,210	$685	$0.95	$107,676	$641	$0.74
14 Conveying Systems	$101,934	$944	$1.80	$135,344	$1,692	$2.85	$121,690	$1,205	$2.00	$187,620	$1,380	$2.20	$168,420	$1,369	$1.90	$493,514	$2,938	$3.38
15 Mechanical	$764,505	$7,079	$13.50	$631,604	$7,895	$13.30	$912,675	$9,036	$15.00	$1,500,963	$11,036	$17.60	$1,263,149	$10,270	$14.25	$3,230,270	$19,228	$22.14
16 Electrical	$662,571	$6,135	$11.70	$451,146	$5,639	$9.50	$486,760	$4,819	$8.00	$750,482	$5,518	$8.80	$1,094,729	$8,900	$12.35	$1,794,595	$10,682	$12.30
TOTAL CONSTRUCTION	$5,096,700	$47,192	$90.00	$4,511,455	$56,393	$95.00	$6,084,500	$60,243	$100.00	$9,381,020	$68,978	$110.00	$8,420,990	$68,463	$95.00	$17,945,946	$106,821	$123.00
FURNITURE, FIXTURES & EQUIP.																		
Guestrooms	$996,840	$9,230	$17.60	$424,000	$5,300	$8.93	$666,600	$6,600	$10.96	$802,400	$5,900	$9.41	$1,205,400	$9,800	$13.60	$1,700,000	$10,119	$11.65
Guestroom Corridors	$48,600	$450	$0.86	$36,000	$450	$0.76	$45,450	$450	$0.75	$61,200	$450	$0.72	$55,350	$450	$0.62	$154,000	$917	$1.06
Public Areas	$153,900	$1,425	$2.72	$96,000	$1,200	$2.02	$121,200	$1,200	$1.99	$176,800	$1,300	$2.07	$175,275	$1,425	$1.98	$615,000	$3,661	$4.22
Operating Supplies & Equipm't	$135,000	$1,250	$2.38	$72,800	$910	$1.53	$91,910	$910	$1.51	$258,400	$1,900	$3.03	$368,385	$2,995	$4.16	$770,000	$4,583	$5.28
Owner Direct Purchases																	$0	$0.00
Warehousing	$6,800	$63	$0.12	$7,000	$88	$0.15	$7,000	$69	$0.12	$7,500	$55	$0.09	$7,500	$61	$0.08	$10,000	$60	$0.07
Telephone Switch & Instr'ts	$41,000	$380	$0.72	$33,000	$413	$0.69	$37,000	$366	$0.61	$50,000	$368	$0.59	$46,000	$374	$0.52	$90,000	$536	$0.62
Laundry-Main & Guest	$40,000	$370	$0.71	$40,000	$500	$0.84	$40,000	$396	$0.66	$40,000	$294	$0.47	$40,000	$325	$0.45	$55,000	$327	$0.38
OnQ	$33,000	$306	$0.58	$31,000	$388	$0.65	$31,000	$307	$0.51	$48,000	$353	$0.56	$35,000	$285	$0.39	$60,000	$357	$0.41
Security & Communications	$9,500	$88	$0.17	$9,500	$119	$0.20	$9,500	$94	$0.16	$9,500	$70	$0.11	$9,500	$77	$0.11	$12,000	$71	$0.08
HSIA Equipment	$25,990	$241	$0.46	$25,000	$313	$0.53	$30,000	$297	$0.49	$40,000	$294	$0.47	$45,000	$366	$0.51	$60,000	$357	$0.41
FF&E Installation	$32,400	$300	$0.57	$24,000	$300	$0.51	$30,300	$300	$0.50	$40,800	$300	$0.48	$36,900	$300	$0.42	$60,000	$357	$0.41
Freight & Tax	$200,000	$1,852	$3.53	$94,000	$1,175	$1.98	$138,000	$1,366	$2.27	$195,000	$1,434	$2.29	$270,000	$2,195	$3.05	$500,000	$2,976	$3.43
TOTAL FF&E	$1,723,030	$15,954	$30	$892,300	$11,154	$19	$1,247,960	$12,356	$21	$1,729,600	$12,718	$20	$2,294,310	$18,653	$26	$4,086,000	$24,321	$28.01
EXTERIOR SIGNS	$30,000	$278	$0.53	$30,000	$375	$0.63	$40,000	$396	$0.66	$50,000	$368	$0.59	$50,000	$407	$0.56	$60,000	$357	$0.41
INVENTORIES	$30,000	$278	$0.53	$40,000	$500	$0.84	$40,000	$396	$0.66	$50,000	$368	$0.59	$50,000	$407	$0.56	$60,000	$357	$0.41
PRE-OPENING	$100,000	$926	$1.77	$120,000	$1,500	$2.53	$120,000	$1,188	$1.97	$140,000	$1,029	$1.64	$160,000	$1,301	$1.81	$220,000	$1,310	$1.51
PROJECT MANAGEMENT	$90,000	$833	$1.59	$90,000	$1,125	$1.90	$100,000	$990	$1.64	$110,000	$809	$1.29	$110,000	$894	$1.24	$150,000	$893	$1.03
INSURANCE	$20,000	$185	$0.35	$30,000	$375	$0.63	$40,000	$396	$0.66	$50,000	$368	$0.59	$50,000	$407	$0.56	$60,000	$357	$0.41
FINANCIAL, TAXES & LEGAL	$50,000	$463	$0.88	$60,000	$750	$1.26	$60,000	$594	$0.99	$65,000	$478	$0.76	$70,000	$569	$0.79	$80,000	$476	$0.55
PROJECT-WIDE CONTINGENCY	$509,670	$4,719	$9.00	$451,146	$5,639	$9.50	$608,450	$6,024	$10.00	$938,102	$6,898	$11.00	$842,099	$6,846	$9.50	$1,794,595	$10,682	$12.30
TOTAL DEVELOPMENT COSTS	$8,739,860	$80,925	$154.33	$7,134,556	$89,182	$150.24	$9,718,639	$96,224	$159.73	$14,716,492	$108,210	$172.56	$13,875,113	$112,806	$156.53	$27,025,165	$160,864	$185.23

NOTES AND ASSUMPTIONS: These cost models are based on National averages in the United States of America from data which has been collected from a variety of sources.
Hilton Worldwide does not make any representations or guarantees that these numbers are valid, accurate, reliable or complete. Any use of this information is solely at the risk and discretion of the user.

Highlighted values are owner input items based on project specific conditions.

EXHIBIT D

To estimate Real Estate Taxes for the Hotel I analyzed the hotels from the competition set.

Hotel	# of Rooms	Land	Improvements	Annual Taxable Assesment	Tax Rate	Annual Tax Levied
Hilton	246	$9,267,720	$67,732,280	$77,000,000	$0.9980	$768,460.00
Embassy Suites	268	$6,521,130	$62,815,470	$69,336,600	$0.9980	$691,979.27
Westin	319	$12,760,000	$60,955,700	$73,715,700	$0.9980	$735,682.69
Hotel Monaco	241	$7,832,500	$36,963,300	$44,795,800	$0.9980	$447,062.08
Morrison House	45	$1,007,490	$5,746,250	$6,753,740	$0.9980	$67,402.33
Lorien Hotel & Spa	107	$5,189,500	$14,550,500	$19,740,000	$0.9980	$197,005.20

**Tax rate is per $100 total assesment.*

		Amounts Per Room				
Hotel	# of Rooms	Land	Improvements	Annual Taxable Assesment	Tax Rate	Annual Tax Levied
Hilton	246	$37,674	$275,334	$313,008	$0.9980	$3,123.82
Embassy Suites	268	$24,333	$234,386	$258,719	$0.9980	$2,582.01
Westin	319	$40,000	$191,084	$231,084	$0.9980	$2,306.22
Hotel Monaco	241	$32,500	$153,375	$185,875	$0.9980	$1,855.03
Morrison House	45	$22,389	$127,694	$150,083	$0.9980	$1,497.83
Lorien Hotel & Spa	107	$48,500	$135,986	$184,486	$0.9980	$1,841.17

Hotel	Land Area (SF)	Land Value	Per SF	Gross Building SF	Improvements	Per GSF
Hilton	46,078	$9,267,720	$201.13	$190,101	$67,732,280	$356.30
Embassy Suites	256,100	$6,521,130	$25.46	175,084	$62,815,470	$358.77
Westin	NAV	$12,760,000	-	286,077	$12,760,000	$44.60
Hotel Monaco	39,702	$7,832,500	$197.28	150,314	$36,963,300	$245.91
Morrison House	7,482	$1,007,490	$134.66	27,070	$5,746,250	$212.27
Lorien Hotel & Spa	27,214	$5,189,500	$190.69	75,064	$14,550,500	$193.84

Robinson Est.	163,696	$31,102,240	$190.00	145,000	$32,625,000	$225.00

Total Value	$63,727,240
Tax Rate	$0.9980
Est. R.E. Tax	**$635,998**